SERVICE DRIVEN.
SAFETY MINDED.

WCB
Workers Compensation Board of Manitoba

2002 ANNUAL REPORT

LETTER TO THE **MINISTER**

March 2003

The Honourable Becky Barrett
Minister Responsible for *The Workers Compensation Act*
Room 317, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

We are pleased to present our 2002 Annual Report in accordance with the provisions of *The Workers Compensation Act.* This report covers the twelve month period from January 1, 2002 to December 31, 2002. It includes the statement of accounts required to be kept under the Act.

Respectfully submitted,

Wally Fox-Decent
Chairperson

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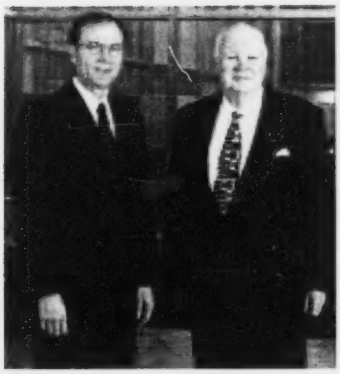
This document is also available in large print format.

Please call 954-4760.

For further information about the WCB's future plans and the 2003 budget, please refer to the Five Year Plan 2003-2007.



Doug Sexsmith
President & Chief Executive Officer - Left

Wally Fox-Decent
Chairperson - Right

LETTER FROM THE **CHAIRPERSON** AND THE **PRESIDENT & CEO**

Safety and service were the cornerstones of the WCB's work in 2002, as described by the theme of this year's annual report.

Following an extensive public consultation on workplace safety and health in 2001, and through close work with government's Workplace Safety and Health Division, the foundation was laid in 2002 for an ongoing, sustained prevention effort to build a strong workplace safety and health culture in Manitoba.

Joint efforts were launched to promote public awareness of safety and health issues, enhance workplace safety training and education and improve the prevention and reporting of occupational diseases with a goal to reduce Manitoba's workplace time loss injury rate by 25 percent over five years.

We have already seen some early results with a 2.7 percent reduction in the total number of reported time loss accidents in 2002. Measuring that against the growth in the economy and the increasing number of people in the workforce, it represents a reduction in the time loss injury rate from 5.2 to 5.0 per 100 WCB covered workers.

However, there is much more to be done and collectively we can and must make Manitoba a safer place to live and work. Manitoba's workers deserve to be safe and go home to their families unharmed at the end of each day. We need to work together and do all we can to ensure that they do.

Significant gains were also made in improving customer service and effectively managing the operations of the WCB.

The position of Director, Customer Service was added to help us develop a stronger service culture, with a continuing focus on improving the way we do business with workers and employers.

The opening of a regional office as a pilot project in Thompson, Manitoba, expansion of a program for online reporting of accident information by employers and an automated clearance process that allows contractors to quickly learn the WCB status of subcontractors are among the many successes outlined in this report. We continue to talk with our customers to understand further opportunities for improvement.

The Manitoba WCB maintained a strong financial position in spite of the negative impact of events in the worldwide financial marketplace. Substantially reduced revenue from our investments resulted in a mid-year increase of 4.7 percent to our assessment rates, taking the average rate from $1.49 to $1.56. Nonetheless, we were able to maintain the lowest average assessment rate of the provinces, and announced in December that there would be no further increase to the average rate for 2003. We will continue, therefore, to have the lowest average rate of all provinces for 2003.

In spite of lower investment revenue, Manitoba achieved investment returns in the top third of Canadian WCBs. Another significant financial achievement was to keep our administration costs per time loss claim at the lowest level across Canada.

These considerable accomplishments throughout 2002 would not have been possible without the dedicated leadership of our Board of Directors and the important contributions of our staff.

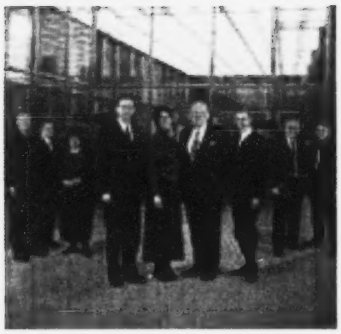
The guidance of the Board of Directors along with the insight of their communities, has supported us through many challenges as we strive to balance the interests of workers, employers and the public. We thank them for their diligence and many hours of service.

We also thank the employees of the WCB for their continued dedication and commitment, and their support to Manitoba's workers and employers.

Together with our partners, we will move forward with our mandate to safeguard Manitoba workers.

Wally Fox-Decent
Chairperson

Doug Sexsmith
President & CEO



Board of Directors

Left to right:
Ron Koslowsky, Ed Gallos, Paula Keirstead,
Doug Sexsmith, Dayna Hammond,
Wally Fox-Decent, Sharon Seabourne,
Bruno Zimmer, Bob Sample

Missing from the above photo:

Karen Naylor

Elaine Cowan

BOARD OF DIRECTORS AND BOARD COMMITTEES

The role of the Board of Directors is to approve and oversee the policies and direction of the WCB, including policies respecting compensation, rehabilitation, assessment and appeal procedures. By statute, the Board consists of 10 members appointed by the Government of Manitoba from nominations submitted by employers, labour and the public. This tripartite representation includes a neutral Board Chairperson, three representatives of workers, three representatives of employers and three members representing the public interest. The Chief Executive Officer is a non-voting member of the Board of Directors.

BOARD OF DIRECTORS

Wally Fox-Decent – Chairperson
Elaine Cowan – Public Interest Representative, from October 1, 2002
Keith Ferbers – Public Interest Representative, to September 30, 2002
Ed Gallos – Employer Representative
Dayna Hammond – Public Interest Representative
Paula Keirstead – Public Interest Representative
Ron Koslowsky – Employer Representative, from October 1, 2002
Karen Naylor – Worker Representative
Bob Sample – Worker Representative
Sharon Seabourne – Employer Representative
Barrie Simoneau – Employer Representative, to September 30, 2002
Bruno Zimmer – Worker Representative
Doug Sexsmith – Chief Executive Officer

The Board of Directors thanks Barrie Simoneau and Keith Ferbers for their significant contributions during their tenures as Directors.

BOARD COMMITTEES

Policy Committee

Wally Fox-Decent – Chairperson
Elaine Cowan – Public Interest Representative, from October 1, 2002
Keith Ferbers – Public Interest Representative, to September 30, 2002
Ed Gallos – Employer Representative
Karen Naylor – Worker Representative
Doug Sexsmith – Chief Executive Officer

The Policy Committee was created under section 51.1(2) and (3) of *The Workers Compensation Act*. The Committee reviews and recommends changes to existing policy and initiates new policy through consultation with stakeholders of the WCB. It also serves as the Personnel Committee of the Board.

Some of the activities of the Policy Committee in 2002 included:

- recommending the adoption of new polices on funding industry based safety programs,
- recommending amendments to seven policies on support for daily living, clinical examinations, roster of healthcare professionals, annuities, special additional compensation, interest rates and lump sum commutations,
- recommending rescission of three policies on legal services, malpractice insurance and the meaning of dependants,
- recommending a board order on medical review panels,
- convening a public consultation on funding industry based safety associations and employer penalties for late reporting,
- reviewing and recommending the text of the annual report and five year plan, and
- serving as the Personnel Committee, receiving reports and providing direction on human resource matters including consideration of the WCB staff Employment Equity survey and plan.

Finance Committee

Wally Fox-Decent – Chairperson
Dayna Hammond – Public Interest Representative
Ron Koslowsky – Employer Representative, from October 1, 2002
Barrie Simoneau – Employer Representative, to September 30, 2002
Bruno Zimmer – Worker Representative
Doug Sexsmith – Chief Executive Officer

The Finance Committee also serves as the Audit Committee of the Board. It was established to review the financial position of the WCB including the annual budget, assessment rates and related financial policies.

Some of the activities of the Finance Committee in 2002 included:

- meeting with the WCB Internal Auditor and reviewing the Internal Audit Plan – 2002; the Financial Planning and Control Audit; and the Vocational Rehabilitation Audit,
- monitoring the monthly financial position of the WCB; meeting with the external auditor and actuary; and approving the financial statements for inclusion in the annual report and five year plan,
- recommending changes to the accounting and finance policies, including rescinding a policy on employer cost experience – fatalities; and amending a policy on authority for execution of documents that outlines the CEO's authority to enter into contracts on behalf of the WCB,
- approving major contracts pursuant to WCB policy,
- reviewing the assessment rate model, overseeing a mid-year premium rate adjustment and recommending the average rate remain unchanged for 2003, and
- reviewing and recommending the 2003 budget to the Board of Directors.

Service Committee

Wally Fox-Decent – Chairperson
Paula Keirstead – Public Interest Representative
Bob Sample – Worker Representative
Sharon Seabourne – Employer Representative
Doug Sexsmith – Chief Executive Officer

The Service Committee assists the WCB's administration in accelerating and monitoring service improvements and recommends approval of funding under the WCB's Community Initiatives and Research Program.

Some of the activities of the Service Committee in 2002 included:

- recommending approval of the 2002 Community Initiatives and Research Program, reviewing applications and making recommendations for funding,
- reviewing the report published by the Review Committee on the Public Consultations into Workplace Safety and Health Injury Prevention Strategy and providing the WCB's response,

- conducting a staff forum with representatives from Case Management,
- receiving presentations and providing input on various service initiatives including Employment Services integration into the Case Management structure; creation of an on-line directory and automated phone and fax back service to obtain clearances; establishing the Thompson office; making publications available in large type and on audio tapes for customers with visual and hearing impairments, improvements in the claims reporting process and the adjudicate and pay process, and
- meeting with external parties such as the University of Manitoba, Manitoba Public Insurance Corporation and chiropractors.

INVESTMENT COMMITTEE

Wally Fox-Decent – Chairperson
Bob Darling – Employer Representative, from March 15, 2002
Pat Gannon – Deputy Minister of Finance
Sherman Kreiner – Advisor
Cal Roberts – Employer Representative, to March 14, 2002

The Investment Committee was created under Section 95 of *The Workers Compensation Act* to regularly review WCB investments and provide clear, written direction for the investment portfolio. The Investment Committee, under the terms of a formal statement of investment policies, oversees a "balanced" portfolio, which provides for a significant commitment to invest in the Manitoba economy. This approach has enabled the investments to weather the turmoil in capital markets better than many other funds. The committee is particularly interested in real estate opportunities and continues to consider additional avenues to invest in the Manitoba economy.

Some of the activities of the Investment Committee in 2002 included:

- pursuing an aggressive "invest in Manitoba" policy where returns are competitive
- becoming a founding partner of the Frontier Capital Fund, a venture fund based in Manitoba
- selecting Jarislowsky Fraser as a new manager of Canadian equities
- adjusting our Investment Policy which, among other matters, emphasizes our commitment to socially responsible investing and increases the targets for investing in real estate.

2002 Highlights

Building a Workplace Safety and Health Culture

In January of 2002, a review committee, headed by WCB Chairperson Wally Fox-Decent, presented 62 recommendations on how to carry out a strategy to reduce workplace injuries and illnesses. It was a consensus report reached after extensive public consultations. It outlined four priority areas: public awareness, training, prevention measures and responsibility. The committee also set out an ambitious target of a 25 percent reduction in the time loss injury rate over five years. As well, it called for a concerted campaign to improve the workplace safety and health culture.

We have already seen some early results with 556 fewer time loss accidents reported in 2002. This represents a decrease in the time loss injury rate from 5.2 in 2001 to 5.0.

Partners in Prevention

A coordinated effort got underway with the WCB, Workplace Safety and Health Division (WSHD) and stakeholders to implement injury prevention strategies. Planning began on a significant joint public awareness campaign which will be launched in 2003. Under that umbrella, groundwork was laid for cooperative efforts in youth safety education; safety associations were encouraged to begin mentoring programs to promote strong safety and health programs; and WCB and WSHD worked together to jointly address companies requiring safety and health support.

Reaching Out to the Community

2002 marked the fifth year for the WCB Community Initiatives and Research Program (CIRP). $4.8 million has been awarded in grants and support to worthwhile projects like the Workers of Tomorrow Health and Safety Campaign. Through this program presentations on workplace safety were provided to over 9,100 students during the 2001-2002 school year. Sixty-two percent of CIRP funding has been allocated to prevention initiatives.

WCB Prevention Initiatives

The WCB continues to support its experience based assessment rate model with prevention initiatives. A newly devised ScoreCard dramatically illustrates the rate impact of reduced accidents. A pilot project was started to follow up with firms needing assistance to reduce workplace accidents through visits supported by a prototype best practices manual.

Enhanced Customer Service

The WCB utilized technology to improve the efficiency and speed of service to customers. The clearance process was automated allowing contractors to instantly learn the WCB status of subcontractors, and the online reporting of accident information was expanded to include more employers.

Customer access in Northern Manitoba improved with the opening of the regional office in Thompson. WCB's service focus was strengthened with the addition of a Customer Service Director who will ensure a sustained focus on improving our service delivery.

Stable Provision of Healthcare Services

A groundbreaking three year agreement was reached with the Manitoba Medical Association offering service stability for claimants and building a structured positive relationship with this key healthcare service provider. The agreement also provides financial certainty and stability around costs.

Premium Rate Value

WCB has maintained the lowest average assessment rate among all provinces. Manitoba employers pay an average of $1.56 per $100 of assessable payroll. The next lowest provincial average rate, in 2003, is $1.89.

Financial Strength

WCB maintained a strong financial position despite the erosion in investment income in 2002. In fact, investment returns were in the top third of Canadian WCBs. As a result of a decrease in the number of claims in pay and lower than expected compensation and healthcare costs, the WCB posted a small operating surplus in 2002 and is budgeting to break even in 2003. The Manitoba WCB continues to have the lowest administration cost per time loss claim of all the provinces.

Presumptive Coverage for Full-Time Firefighters

With the passage of an amendment to *The Workers Compensation Act,* Manitoba became the only Canadian jurisdiction to recognize the presumptive link between hazards encountered by full-time firefighters and their susceptibility to certain cancers. The WCB will be undertaking research over the next three years to see if there is a similar link between part-time and volunteer firefighters and the cancers named in the Act.

THEMES

In 2002, the WCB adopted four "themes" to help guide us toward our vision of working with our partners to build a safer and healthier Manitoba.

- **Prevention** – *Protecting Workers and Preventing Injuries and Illnesses*
- **Recovery** – *Returning Workers to Health and Work*
- **Service** – *Continuously Improving Services to Workers and Employers*
- **Stewardship** – *Effectively Managing Human, Technical and Financial Resources*

These themes were born from a keen desire to serve and support the interests of our customers.

PREVENTION

Protecting Workers and Preventing Injuries and Illnesses

WSHD Review Committee calls for a 25 percent reduction in the time loss injury rate over five years

In 2002, the Workplace Safety and Health Review Committee, led by WCB Chairperson Wally Fox-Decent, developed *Building a Workplace Safety and Health Culture* – a blueprint that sets clear goals to reduce workplace injuries. The report, derived from a series of public hearings held in 2001, sets as a goal a 25 percent reduction in the time loss injury rate over five years.

To achieve this goal, the report recommends that the provincial government's Workplace Safety and Health Division (WSHD) in partnership with the WCB, lead a sustained effort to create a new, strong workplace safety and health culture in our province. The report also includes 62 specific recommendations to help achieve the target of a 25 percent reduction in the time loss injury rate.

The Review Committee proposed a number of recommendations involving the WCB including that the WCB:

- promote public awareness of safety and health issues to make Manitobans aware of the risks they face in the workplace, of the costs of workplace injury and of their rights and responsibilities,
- enhance training and education through the development of an inventory of available safety and health training programs,
- develop strategies to improve the prevention and reporting of occupational diseases,
- use WCB data and methodologies to measure our progress, and
- build partnerships with others in the community – specifically the WSHD.

The WCB and WSHD have developed a joint planning process, to begin implementation of the recommendations.

The *Building a Workplace Safety and Health Culture* report also underscores the heightened risks faced by young workers. The WCB strongly supports safety and health training in the provincial school curriculum through its Community Initiatives and Research Program.

Community Initiatives and Research Program

Another vehicle used by the WCB to reduce workplace injury and disease is the Community Initiatives and Research Program (CIRP), which marked its fifth year in 2002. The CIRP provides up to $1 million annually to fund projects on accident and disease prevention, safety in the workplace, treatment of workplace injuries, support for injured workers and their families, and research into scientific, medical or other issues related to workers' compensation.

The WCB's priorities for its Community Initiatives and Research Program for 2002 focused on prevention, rehabilitation and community support. The WCB also looked at community-based programs that emphasize occupational injury and disease awareness, and workplace health and safety.

One of the major projects funded by CIRP through The Manitoba Federation of Labour and Winnipeg Boys and Girls Club is the *Workers of Tomorrow Health and Safety Campaign*. This is a valuable resource that employers can turn to for advice on how to deal with the unique safety considerations of Manitoba's young workforce.

Safety pays dividends for Manitoba companies

More and more Manitoba firms reaped the rewards of safer workplaces in 2002, thanks in part to the WCB's assessment rate setting model which encourages accident prevention.

This experience-based model rewards employers who reduce accidents and have effective disability management programs. In 2002, safety paid off for over 75 percent of employers who saw their WCB assessment rates go down.

The WCB continues to work with employers to identify the advantages of a risk management program and to share the best safety practices of industry leaders. Our ScoreCard identifies for employers the impact on their WCB premium rates if the number and cost of accidents are reduced. A booklet *Safer Workplaces are Good for Business* was developed to provide employers with a summary of best practices of those employers who have a successful safety culture. The WCB approached these employers to identify the key components that make their workplaces safe. We found their safety strategies contained common ideas centred around accident prevention.

Recovery

Returning Workers to Health and Work

Agreement between WCB and MMA

The Workers Compensation Board of Manitoba and Manitoba Medical Association reached a three-year agreement recognizing the comprehensive nature of services physicians provide to WCB claimants. This agreement represents the first increase in WCB reporting and administrative fees paid to physicians since 1997.

The agreement acknowledges the important role physicians play in helping injured workers recover and return to work as soon as possible.

The three-year agreement offers service stability to our claimants and responds fairly to physician concerns about the time spent documenting WCB services.

The contract is the first of its kind to be negotiated by the two parties.

Return to Work Seminar

The WCB hosted a return to work seminar to lay the foundation for improved activities in this area. The seminar was attended by employers, labour representatives and other WCB stakeholders.

Nine main areas to improve return to work initiatives evolved from discussions at the seminar.

1. **Mutual Trust**
   Workers, unions, employers, healthcare providers and the WCB should work towards enhancing levels of trust between each group.

2. **Communication With and Access to Healthcare Providers**
   Healthcare providers (doctors, chiropractors, physiotherapists, occupational therapists, etc.) have an important role in the return to work process. There should be more effective communication between the WCB and a worker's healthcare provider. Also, workers need more timely access to healthcare, including diagnostic testing.

3. **More Focus on Return to Work for Short Term Claimants**
   Most claims reported to the WCB are resolved within eight weeks. The staff managing these claims should become more involved in the return to work process.

4. **Enhanced Communication among All Parties**
   There is a need for greater dialogue among workers, employers, healthcare providers and the WCB.

5. **Prevention Education**
   More needs to be done to educate all parties, especially young workers, about prevention.

6. **Consistent Application of WCB Policy**
   The WCB's current policy on Modified and Alternate Return to Work is satisfactory. However, consistent application and education surrounding the roles it sets out are required.

7. **Disability Management Programs**
   All parties see workplace disability management programs as a valuable part of the workplace and return to work process.

8. **Role of the WCB**
   The WCB primarily facilitates the return to work process, but needs to be available to assist and monitor the process.

9. **Small Businesses**
   It is often a challenge for small businesses to offer modified or alternate work to injured workers. The WCB needs to examine ways to help small businesses overcome this challenge.

Plans for improvement in these areas have been developed and implementation is underway.

Service

Continuously Improving Services to Workers and Employers

New Clearance System

A new clearance system was introduced to speed up the process for contractors, and make it easier to obtain confirmation that subcontractors are covered by workers' compensation and are in good standing. Contractors can now obtain immediate clearance information 24 hours a day, seven days a week in three new ways.

- A search through an online directory of businesses by firm number, company or trade-style name will provide confirmation of coverage and their status with the WCB.
- Using a secure internet connection, registered users can create customized, interactive lists of firms and subcontractors. If a company's status changes, the clearance request system will automatically flag the company's name and email the contractor regarding the change the next business day.
- An automated telephone system can be used to get clearance information on a single company with a fax back service providing written confirmation of the firm's status.

Of the 37,786 requests for clearances received in 2002, only two percent were handled using internal WCB resources as opposed to 100 percent prior to implementation of the new system. The phone and fax back service handled 16 percent, 22 percent were obtained through the online directory accessed through the WCB website, and 60 percent of the requests came through registered users of the Interactive Online List service.

Prior to this new service clearance requests took anywhere from 48 hours to a couple of weeks to complete depending on the number of clearances requested.

Legislative Change Regarding Firefighters

In May 2002, *The Workers Compensation Act* was amended to include a rebuttable presumption that if a full-time firefighter employed for a minimum period develops a certain type of cancer, the dominant cause of the cancer is the employment as a firefighter. Minimum employment periods range from five years for leukemia to 20 years for kidney cancer and non-Hodgkin's lymphoma. Manitoba is the first province in Canada to officially recognize this link, based on comprehensive research commissioned by the WCB. Over the next three years, research will be conducted to determine whether the five cancers are occupational diseases of part-time and volunteer firefighters.

Northern Regional Office

As part of the ongoing commitment to improve services, the WCB opened a regional office on a pilot project basis. Located in Thompson, the office also serves Gillam, Leaf Rapids, Lynn Lake, Wabowden and Churchill. The office will help claimants from the northern part of the province access WCB services quicker and easier, which will allow a more timely return to work. The office is staffed by three individuals who provide adjudication, case management and payment services. The WCB staff will also work more closely with local employers to help them improve their claims experience and costs.

Director, Customer Service

A new position of Director, Customer Service was added to our staff to ensure a sustained focus on improving our service delivery. Our surveys tell us we're doing a good job – claimants rate us at 7.3 and employers at 6.9 out of ten. Overall there is always room for improvement. The new director will ensure the many customer-focused initiatives at the WCB build on each other to raise the bar higher on service quality.

Case Management System

Our case management system, based on teams aligned with specific industry sectors, continues to mature and show positive results. The teams are actively involved in promoting early recovery, managing healthcare treatment, maintaining a workforce connection or, in some cases, providing vocational rehabilitation services.

Improving our Adjudicate and Pay Process

Extensive planning was done in 2002 to recreate our current adjudicate and pay process in order to meet our clients' needs for faster and better services – primarily, faster decisions and payment of benefits. In 2002, the Board of Directors approved the development of solutions that will help us attain that goal.

Implementation of an electronic claim system will allow the WCB to reduce hand-offs and wait-time for claim files to be located. This will facilitate the provision of timely responses to customer enquiries and give staff access to the information they need when they need it in order to make decisions. Role consolidation in our Short Term Claims area will empower staff to take on a more comprehensive, full service role for our customers. The anticipated results are fewer hand-offs from one staff member to another, stronger relationships with workers and employers, a better understanding of specific industries, and ultimately, faster response times when an injury occurs in the workplace. And finally, implementation of measures will create a greater focus on service standards through consistent measurement of processes and outcomes.

While preparation continues on the implementation of the solutions developed to meet the objectives of this project, including new technology and role consolidation, some smaller scale initiatives were begun in 2002 to lay the foundation for future change and generate more immediate results for our customers. These initiatives include improvements to our claim information system to allow for the collection of additional information and changes to the management of occupational disease claims.

More Employers Reporting Online

In the beginning of 2002, the WCB rolled out its Online Accident Reporting System to large employers interested in providing accident and wage information on their injured workers through a secure Internet application. The new system provides immediate access to WCB Accident Report forms, 24 hours a day, seven days a week. The forms are completely electronic, easy to use and "smart." As employers fill out their information on screen, the form changes according to the answers provided to make the reporting of accident and wage information simple.

The system also alerts employers to accidents in their workplaces they might not otherwise be aware of. When the WCB hears about an accident from an injured worker or healthcare provider, we begin to create an accident report. At the same time, we email the employer about the accident, allowing the employer to fill out the rest of the form. The sooner that report gets back to the WCB, the sooner it can be processed and the sooner we can pay injured workers and get them back to health and work.

In 2002, 221 employers registered to use this new online service. By the end of the year, information on 22 percent of new claims was received through the service allowing the WCB to provide benefits to injured workers sooner.

Stewardship

Effectively Managing Human, Technical and Financial Resources.

Financial Results

A strong financial position was retained with a small operating surplus of $45 thousand which was allocated to the Rate Stabilization Fund. The fund increased from $55.1 million to $55.2 million. Investment returns were considerably less than in the recent past; however, they remained in the top third of Canadian WCBs. The reduced revenue was offset by reductions in the claim costs incurred, particularly in the future costs for claims in pay, due to a decrease in the number of claims and a lower average cost per claim.

Due to the decreased investment income, a mid-year increase in the average assessment rate of 4.7 percent was implemented, which moved our average rate from $1.49 to $1.56. In spite of this, Manitoba retained the lowest average assessment rate of all the provinces for 2002. The average rate will remain at $1.56 for 2003 and Manitoba will continue to have the lowest average rate of all the provinces.

The WCB of Manitoba also had the lowest administration cost per time loss claim across the country for 2001 and continued our strong performance in 2002.

The WCB of Manitoba is one of the few provincial workers' compensation agencies that is fully funded, with aggregate reserves of $75.2 million.

The role of Controller was added to the position of Director, Finance to strengthen the controllership function at the WCB. This will result in stronger financial management in the delivery of programs and services, a more defined accountability framework, stronger stewardship over resources and enhanced financial risk management.

In 2002, emphasis was placed on centralizing the purchase of goods and services to meet corporate and client needs. A coordinated purchasing effort allows the WCB to purchase reliable products and services at the most reasonable prices.

Human Resources

WCB staff want to provide the best possible service to their clients. The WCB ensures that ongoing training and self-improvement opportunities are accessible to all staff to promote high performance throughout the corporation.

The WCB supports employment equity and diversity in the workplace, and has established an Employment Equity Committee to help create and implement equitable hiring practices at the WCB.

Technical Resources

The WCB examines and revises its processes as needed to provide the most effective and efficient service to its customers. As we change our processes, we must also change the information technology systems that support them. Major changes to our systems were made over the past year to support service improvements around accident reporting, meet requests for clearance information and provide service to our customers in the North. Further changes are underway to allow our clients to send information to the WCB through secure emails.

"The Community Initiatives and Research Program is an excellent example of how the WCB is working with its partners in the province to reduce the risk and impact of workplace injuries. Creating a new culture of safety is a responsibility of all Manitobans."

Wally Fox-Decent,
Chairperson,
WCB Board of Directors

WCB COMMUNITY INITIATIVES & RESEARCH PROGRAM: HELPING MANITOBA WORKERS AND EMPLOYERS FOR OVER FIVE YEARS

After five years of supporting initiatives to reduce the risk and impact of workplace injuries, WCB continues to fund research and community projects benefiting Manitoba's workers through the Community Initiatives and Research Program (CIRP). In 2002, the CIRP contributed funding towards ten research and community projects focused on reducing the risk and impact of workplace injuries and diseases. These projects will begin in 2003.

The CIRP, launched by the WCB late in 1997, funds research and programs on accident prevention, safety in the workplace, treatment of workplace injuries and scientific, medical or other issues related to workers' compensation. The goal of the program is to enhance the understanding of complex workers' compensation issues and to minimize the human and financial impact of occupational injuries and diseases.

The overall objectives of the Community Initiatives and Research Program are to:

- promote, educate and increase the awareness level of injury and disease prevention issues,
- achieve practical outcomes which have a positive impact on employers and workers,
- develop a stronger understanding and further current knowledge of workplace injuries, illnesses and disabilities,
- apply acquired knowledge to the development of new techniques,
- identify and promote effective return to work and rehabilitation strategies,
- evaluate specific program interventions or other initiatives to assess the impact on reducing injury and disability, and
- promote research towards the advancement of general medical science where there is a link to workers' compensation.

Approved grants are subject to conditions including achievement of anticipated benefits/outcomes, approved research methods or consultation with key WCB stakeholders.

In the past five years the CIRP contributed $4.8 million to projects aimed at achieving these goals. When the 2002 funding recipients begin their projects, the CIRP will have contributed almost $6 million overall to research and initiatives in our province.

"For over five years, our Community Initiatives and Research Program has participated in the fight against workplace injury and disease," says WCB Chairperson Wally Fox-Decent. "We have supported many worthy projects, and we've seen the benefits in workplace safety initiatives such as The Workers of Tomorrow program, the Victor Mager Job Re-Entry Program, and the Anokiiwin Training Institute."

Up to $1 million in funding is provided through CIRP annually by the WCB. A total of 59 Manitoba-based, CIRP-funded initiatives have operated during the past five years, focusing on accident and disease prevention, safety in the workplace, treatment of workplace injuries, support for injured workers and their families and research into scientific, medical or other issues related to workers' compensation. Approximately 62 percent of funding supported accident and illness prevention initiatives.

The priorities of the program for this year focused on prevention, rehabilitation and community support. The WCB also looked at community-based programs that emphasize occupational injury and disease awareness, and workplace health and safety.

Specifically, the WCB was interested in receiving applications that emphasize:

- The efficacy of medical treatments and rehabilitation programs used to address workplace injuries and illnesses. For example:
  - treatment options and their timing and frequency,
  - gender-specific challenges related to recovery patterns, availability of treatment, rehabilitation and accommodation, or
  - the treatment of new workplace illnesses.
- The development of supportive community-based initiatives that provide quality of life for injured workers.
- The development of community-based occupational injury and disease awareness and health and safety training programs.
- Strategies to prevent or protect young workers from occupational injury and disease.
- The development of community expertise in workplace health and safety.
- Best practices in disability management programs for small to medium-sized employers.

"We continue to look for creative and innovative ways to reduce or eliminate the proliferation of injuries at the workplace. The projects we are supporting will help us in our work toward that end."

Doug Sexsmith
President and Chief Executive Officer of the WCB

"I appreciate the role of the WCB and the Victor Mager Program in helping myself and others become more aware of safety at the workplace. I came to Winnipeg from Korea 10 months ago, and I find the hard work of the instructors here and the guidance of the WCB to be very helpful in my transition to this workforce."

J.R. Hwang
truck driver

A five year legacy of helping Manitoba workers

Since the CIRP first began funding workplace safety and health research and programs, 59 innovative projects have been completed or are still in operation. These initiatives benefit Manitoba workers through education, services and research – all ultimately aimed at reducing the risk and impact of workplace injury and disease.

The following are snapshots of three such programs. For a more detailed look at all of our past funding recipients, please refer to our website at www.wcb.mb.ca.

Victor Mager Job Re-Entry Program
The Victor Mager Job Re-Entry Program, a 2001 recipient of funding from the CIRP, developed and integrated health and safety education for young workers into the curriculum of their training and work experience. The Victor Mager Job Re-Entry Program is a community-based initiative, working to meet the employment needs of young people, the underemployed and new Canadians in Winnipeg. The program offers guidance, support and training to participants, assisting them to make the necessary changes in their lives that will enable them to find and maintain work. By the end of 2002, approximately 20 workers benefited from the health and safety curriculum.

Anokiiwin Training Institute
Anokiiwin Training Institute, also a 2001 CIRP funding recipient, is a private vocational school that designs, develops and delivers a wide range of training programs. These programs include diploma courses, workshops, seminars and related activities. The Institute is a leader in providing training to the Aboriginal community in Manitoba. This initiative better coordinates workplace health and safety training through the creation of a series of seven workshops. In December 2002, 13 male youths from The Youth Build Program in Thompson, received a two-day training workshop on one of the modules, "Working with Hazards". Further plans are in place to pilot all seven modules in 2003 involving over 100 students.

Workers of Tomorrow Health and Safety Campaign
Through this campaign, presentations are made to thousands of students in high schools, post-secondary education facilities and training programs. Speakers, information kits and videos are used to educate students on workplace hazards. The campaign, which began in 1998, intends to reach approximately 25,600 students across Manitoba by September 2003. Over 9,100 students participated in the program during the 2001-2002 school year.

2002 APPROVED GRANTS

The following grants were approved by the CIRP program in 2002 to begin operations in 2003:

Ergonomics Project

Agency: Canadian Auto Workers (CAW)

Funding: $193,727

Purpose: This project will provide education and training to increase understanding and prevention of strain and sprain injuries (including back and repetitive strain injuries).

Professional Development Program

Agency: Day Nursery Centre

Funding: $10,000

Purpose: This project will educate staff on the risks of injuries and stresses in their workplace through the creation and implementation of a pilot program. The program will provide information and guidance to help staff decrease or avoid personal injuries in their daily work and personal lives.

Employer Disability Awareness Training and "Best Practices" Identification of Job Redesign and Accommodation

Agency: Manitoba League of Persons with Disabilities

Funding: $80,000

Purpose: This project aims to remove the link between disability & unemployability through disability awareness training to small and medium sized organizations. Effective accommodation and job redesign practices will be identified and shared with a community resource list. The project will develop training modules, establish community linkages, and address the transition of disabled youth from school to work.

Aboriginal Workers Outreach Project

Agency: MFL Occupational Health Centre, Inc.

Funding: $43,194

Purpose: Through community consultation, this project proposes to develop an education and outreach plan to increase aboriginal workers' awareness of workplace health and safety issues.

"The safety training I received at Victor Mager changed the way I approach a workplace. I don't think a lot of people know all the hazards when they start a job, unless they receive training like this."

Jodie Patzer
student,
Victor Mager Job Re-Entry Program

Massage Therapy Promotes a Healthy Workplace

Agency: Riverview Health Centre

Funding: $28,120

Purpose: With the services of a licensed massage therapist, the project will evaluate if access to onsite massage therapy prevents work related time loss injuries and promotes health, healing and a reduction of workers' compensation costs.

Maximizing Abilities in the Workplace

Agency: SMDAbiTech Inc.

Funding: $162,000

Purpose: This project will develop, implement and evaluate a best practice model that can be used to promote workplaces that "Maximize Abilities". A workplace that "Maximizes Abilities" is designed to (1) prevent injuries; (2) promote efficiency; and (3) enable aging employees to remain in the workplace.

Getting the Person with Aphasia Back to Work

Agency: Speechworks

Funding: $22,734

Purpose: The project will work with clients who have aphasia (loss of ability to communicate after a stroke or head injury) to evaluate the effectiveness of a new technology-based treatment to help them return to work.

Disability Management Works

Agency: Reaching E-Quality Employment Services Inc.

Funding: $158,223

Purpose: This project will develop, test and implement workplace prevention & disability management programs for small Winnipeg employers (less than 50 employees). This project will research best practices, set benchmarks and develop, deliver and distribute toolkits and training workshops.

Peer Counseling and Empowerment Skills Programs

Agency: Injured Workers Association of Manitoba Inc.

Funding: $80,325

Purpose: The Peer Counselling Program helps injured workers and their families cope with their injury. Services are provided by a trained counsellor to assist with understanding, coping and adapting to physical and psychological post injury issues. These include client counselling and referrals to appropriate community agencies to deal with their specific circumstances.

The Empowerment Skills Program helps injured workers who wish to appeal their WCB decision by enhancing their ability to make informed decisions, take control of their situation and gain a healthier return to work.

Firefighter Research

Funding: $85,000

Purpose: *The Workers Compensation Act of Manitoba* was amended in May 2002 to include a rebuttable presumption that if a full-time firefighter is regularly exposed to the hazards of a fire scene (other than a forest fire) for a prescribed minimum period and contracts primary site brain, bladder or kidney cancer, primary non-Hodgkin's lymphoma or primary leukemia, the dominant cause is the employment as a firefighter.

The WCB will be conducting new research to determine whether these five specific cancers are also occupational diseases of part-time or volunteer fire fighters.

Role and mandate

The Workers Compensation Board established the Office of the Fair Practices Advocate in the tradition of the Ombudsman role to assist both injured workers and employers when they identify concerns arising out of fairness or natural justice. The Office provides a safeguard for employers and workers and gives a voice to those who feel compelled to take their complaints to an independent office.

The mandate of the Office is to hear complaints and to investigate. The WCB has given the Fair Practices Advocate unfettered access to any information deemed necessary to carry out the investigation on behalf of employers or injured workers.

The Fair Practices Office is not a level of appeal. The levels of appeal are the Review Office, where the WCB will reconsider its decision, and the independent Appeal Commission. These bodies may substitute their judgment for that of the Administration. In the Ombudsman tradition, the Fair Practices Advocate is not empowered to reverse, overturn or stay a decision. The Advocate may make recommendations for correction if it is determined that an action or a decision of the WCB has been clearly wrong or unreasonable.

REPORT OF THE **FAIR PRACTICES ADVOCATE 2002**

The Fair Practices Office (FPO) observed in 2002 that the Board of Directors and the Administration of the WCB continue to make timely and courteous service a priority. Sensitized by the complaints of injured workers and employers, there is an ongoing recognition in the organization of the need to address these and other service issues. The WCB has achieved some positive results in the area of timely service as evidenced by the decline in the number of complaints in this category.

Being insured for income replacement and waiting too long for decisions by the WCB creates an obvious unfairness. As well, research would indicate that inordinate delays can create increased and chronic disability. Both fairness and fiscal responsibility dictate that everything possible be done to address these service issues.

The WCB has spent considerable time, energy and resources on methods to improve the timeliness of claim adjudication and it is anticipated that results will begin to be actualized in 2003. As callers to the FPO in 2002 continue to express their concerns around these issues, the ongoing attention to improvement is welcomed.

Enquiries to the Fair Practices Office by Type 2000 - 2002

Year	2002	2001	2000
Communication/Service*	169	136	140
Disagreements with Decisions**	235	266	221
Timeliness***	151	185	229
Information****	234	211	218
Total	**789**	**798**	**808**

Category descriptions:

* *Communication issues deal with complaints where claimants feel they are not getting the information they need when they need it or in a way they understand it. Included are instances where claimants felt the tone of comments made by staff were inappropriate or disrespectful.*

** *This category captures all complaints where there is a disagreement related to claims management, benefits entitlement or termination of benefits.*

*** *This category describes issues where claimants waited longer than they thought appropriate. Typical are situations in which claimants may have waited for adjudication to be completed, benefit cheques, medical aid expense payments or medical aid authorization.*

**** *This category describes situations where a claimant or an employer is seeking information on legislation, WCB policy and procedure or claim status.*

Process

The Fair Practices Office has designed its process to allow for easy access for employers and injured workers. Experience has demonstrated that most complainants welcome using the telephone to make complaints and the informality this allows. Staff record all relevant information on intake and an investigation is conducted. Whatever the outcome, feedback is provided to the complainant on all issues that have been raised.

If the issue raised is determined to have merit, it is discussed with management staff. In addition to providing an opportunity for resolution of the current issue, this approach allows management to combine this information with other management information available to them and identify the need for remedial or systemic action.

While the purpose of the Fair Practices Office is to receive and investigate complaints, the hard work of dedicated staff on behalf of injured workers and employers is commonly observed during the investigation process. Co-operation with the Office is a further indication of this dedication to quality service.

Whatever the outcome of the complaint, callers to the Fair Practices Office provide a perspective that assists the Workers Compensation Board to examine itself and improve service to its clients. There are a number of positive effects that arise from the complaint process.

- It can create a degree of empowerment and satisfaction for the complainant.
- It can contribute to the creation of an introspective, learning organization that constantly evaluates its service through the eyes of those it serves.
- It can afford the organization the opportunity to correct a situation without requiring the complainant to go through a lengthy appeal process.
- It can help staff to assess situations that have created a problem for the complainant and learn from the experience.
- It can help line staff and management identify training needs.
- It can allow the organization to identify possible problem areas and, if indicated, further examine them through its other quality assurance mechanisms.
- It can allow the organization to analyze the trends in the complaint numbers, which are not in and of themselves statistically significant, and compare the result to trends in its own statistical measures.

FINANCIAL REPORT

2002 ANNUAL REPORT

MANAGEMENT'S RESPONSIBILITY FOR **FINANCIAL REPORTING**

The financial statements of the Workers Compensation Board of Manitoba (WCB) were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in the annual report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the financial statements and other financial information included in the annual report.

The Board of Directors is assisted in its responsibilities by the Finance Committee. This committee reviews and recommends approval of the financial statements, budgets and annual reports. The Finance Committee meets periodically with management, internal and external auditors and actuaries concerning internal controls and all other matters relating to financial reporting.

The firm of Mercer Human Resource Consulting has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent review of the actuarial valuation of the benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial practices.

Grant Thornton LLP, the external auditors of the WCB, have performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and includes the opinion expressed on the financial statements.

Doug Sexsmith
President & CEO

Harold B. Dueck, CA
Vice President,
Finance & Administration

2002 MANAGEMENT DISCUSSION AND ANALYSIS

As an integral part of the Annual Report, the Management Discussion and Analysis provides further insights into the operations and financial position of the WCB.

The Workers Compensation Board operates under the authority of *The Workers Compensation Act of Manitoba*. The WCB is responsible, in accordance with the provisions of the Act, for administering the payment of benefits to injured workers and for levying and collecting assessment revenues in an amount sufficient to cover the current and future costs of workplace injuries. The WCB obtains its revenues from (i) premiums charged to Class E (general body) employers based on assessable payrolls; (ii) assessments from self-insured employers; and (iii) income from its investment portfolio.

The WCB receives no funding from the Government of Manitoba. It provides funding to the government to cover 95% of the costs of operating the Workplace Safety and Health Division and 100% of the Worker Advisor Office.

The WCB insures approximately 70% of the workers in Manitoba, employed by 24,453 registered employers.

2002 FINANCIAL HIGHLIGHTS

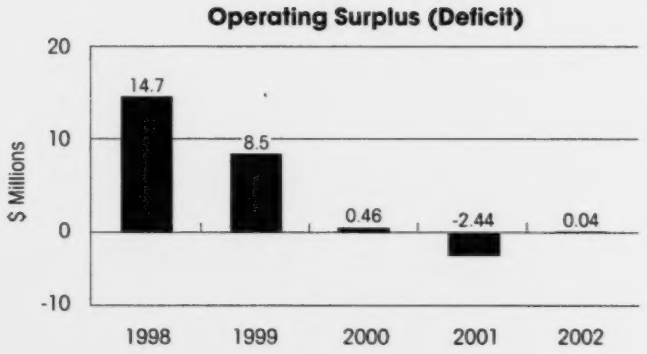
Results of Operations

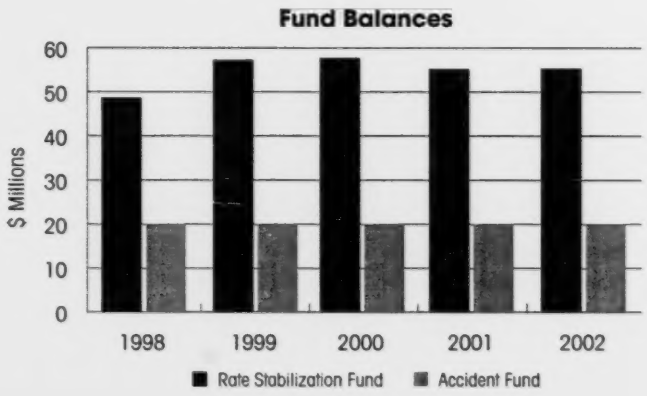
The 2002 result is essentially a break-even at $45 thousand. This is a significant achievement given the continued downward trend in investment income during 2002 ($20.2 million decline from 2001.) The WCB was able to offset the revenue decline with claim costs at $17.8 million less than 2001, largely the result of a reduction in the future cost of claims. A reduction in this cost has not occurred since 1991. The 2002 operating surplus has been directed to the Rate Stabilization Fund, leaving the WCB with total reserves of $75.2 million.

Despite a modest increase in premium revenue, the drop in investment income caused total revenue to fall by 8.8% in 2002.

Assessment revenue for Class E (general body) employers rose 2.4% in 2002 due to increases in assessable payrolls brought about by employment growth and wage increases. On July 1, 2002 premium rates were increased by 4.7% raising the average assessment rate to $1.56 per $100 of assessable payroll. The $1.56 rate continues unchanged in 2003.

Total investment income was $33.8 million, 37% lower than 2001's total of $54.1 million. The 2002 market rate of return was negative 2.3%, net; however, this result was stabilized by the use of the WCB's five year smoothing policy for recognition of capital market gains and losses. The WCB's investment results are similar to other investors' experience for 2002.





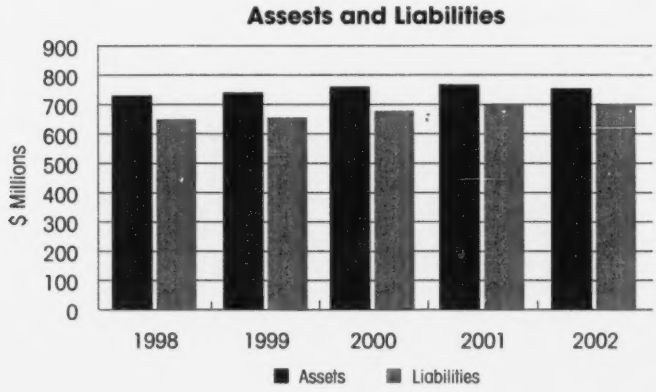
Claim costs incurred for 2002 were $131.9 million, $17.8 million (11.9%) less than in 2001. Claim costs are an estimate of the full costs for compensable injuries that were reported in 2002, together with adjustments to prior years' estimates. The reduction in total claims costs for 2002 was a result of savings in claim future costs due to shorter duration for compensation claims, savings in medical expenses and decreases in pension liability and administration costs; and a reduction in core program costs (down $5.1 million from 2001) of which $3.0 million is attributed to healthcare costs and $1.0 million to compensation costs. These reductions were due, in part, to a decrease in claims in pay during the year resulting from fewer reported accidents.

In spite of a contractual wage increase of 2.8%, operating costs grew by only 1.1% over the previous year. This was the result of a concentrated effort to contain administration costs given the revenue pressures the WCB faced. The WCB continued to provide $6.4 million in funding for the Workplace Safety and Health Division and the Worker Advisor Office, to assist in creating a culture of safety in the Manitoba workforce.

The operating results for 2002 and 2001 may also be attributed to certain actuarial factors as follows:

In thousands of dollars	2002	2001	Change	
Premium revenue plus investment income up to the actuarial discount rate, minus the current year expenses	$24,345	$21,958	$2,387	11%
Investment income in excess (short) of the actuarial discount rate of 7.0%	(17,400)	3,500	(20,900)	(597%)
Higher actuarial liabilities than previously anticipated	(6,900)	(27,900)	21,000	75%
Operating surplus (deficit)	45	(2,442)	2,487	102%

BALANCE SHEET



Assets

Cash

As the cash flow from premium revenue is not sufficient to fund operations, the WCB has a heavy reliance on the returns generated by the investment portfolio. Periodic withdrawals are made from the investment portfolio to buttress operational cash flows and if there are no returns, withdrawals are made from capital. As a result, the WCB's cash balances are maintained at a minimum level. The WCB has also arranged credit facilities with both its main banker and the Treasury Division of the Province of Manitoba to provide short-term loans to smooth out cash flow peaks and valleys. Aggregate borrowings during 2002 were $17.0 million (2001, $35.0 million), and the loans were repaid before year-end.

Receivables

The vast majority of receivables relate to monies owed by employers for 2002 premiums. The balances outstanding are comparable to 2001 year-end balances.

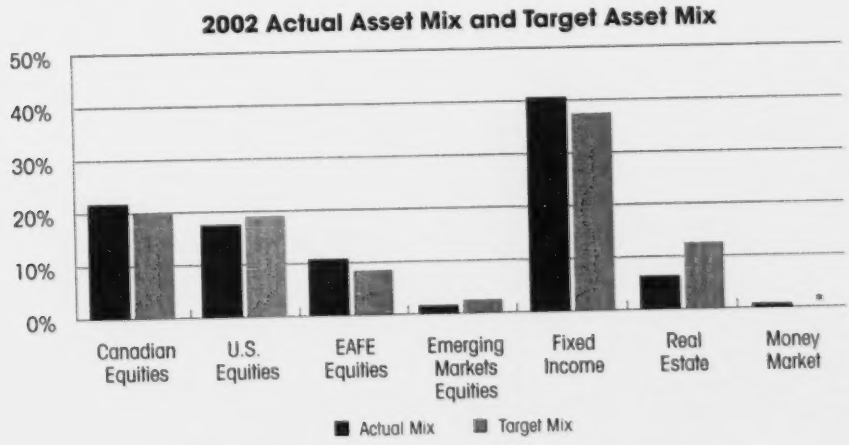
Investments

The investment targets set by the Investment Committee for the investment portfolio were:

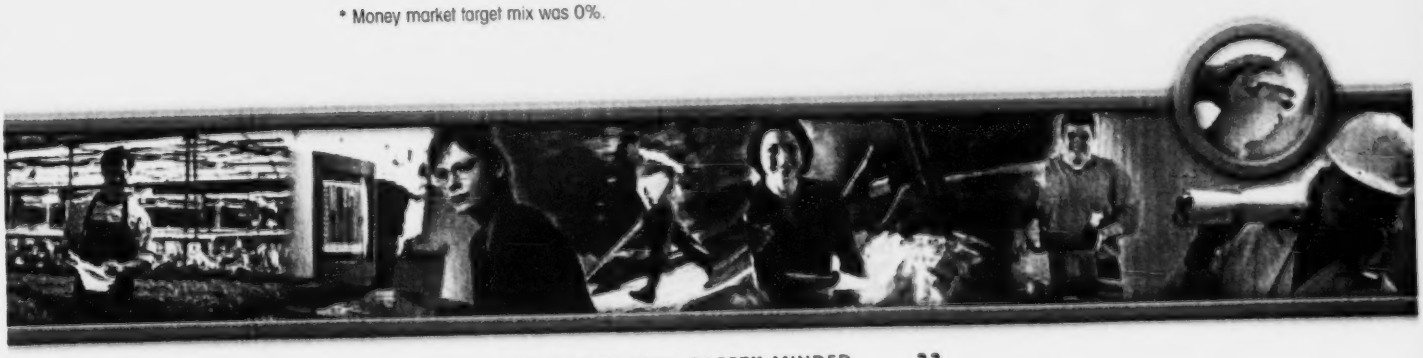
- a minimum annual real rate of return of 4.0%,
- second quartile investment performance compared to like funds over a four year period, and
- specific results by asset class, as follows:

Asset Class	Benchmark Targets (in $ Canadian)
Canadian equities	TSX 300
U.S. equities	S&P 500
Europe, Australia & Far East equities	MSCI EAFE Index
Emerging markets equities	MSCI Emerging Markets Index
Bonds	Scotia Capital Universe Bond Index
Mortgages	Scotia Capital Mortgage Index
Real estate	Morguard Property Index
Money market	Scotia Capital 91 day T-Bill Index

The WCB's investment portfolio is diversified among a variety of asset classes in order to optimize returns and minimize risks. The 2002 targeted asset mix as defined by the Investment Policy and the actual asset mix based on market values at December 31, 2002 are as follows:



* Money market target mix was 0%.

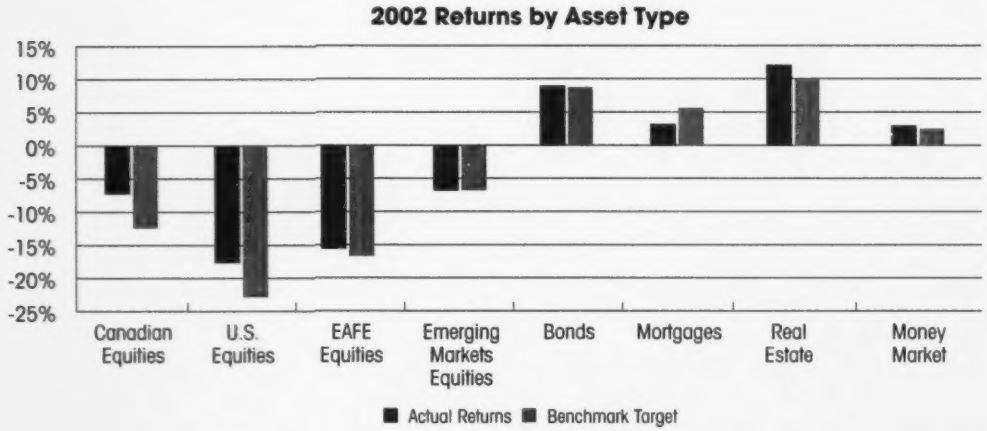


The market value of the WCB's investment portfolio was negatively impacted by poor returns in equity markets in Canada and around the world. Positive returns in the bond and real estate asset classes partially offset negative returns in the equity portfolios, resulting in a rate of return for the total fund in 2002 of –1.9%, gross (2001, +1.9%, gross). Note 5 to the Financial Statements indicates that the market value of the WCB's investments portfolio has decreased since 2001 by $51.8 million to $692.4 million, as $36.5 million was redeemed to fund WCB operations in addition to the market loss for the year.

This year's performance represents a real rate of return of negative 5.6%. As such, it failed to achieve both the Investment Policy target of a 4% real return and the actuarial expectation of a 7% market return.

	1998	1999	2000	2001	2002
Market rate of return, gross	8.0%	8.9%	8.1%	1.9%	(1.9%)
Consumer Price Index for Manitoba	2.0%	2.3%	2.9%	0.2%	3.7%
Target = Consumer Price Index + premium (3.5% to 1999; 4.0% effective 2000)	5.5%	5.8%	6.9%	4.2%	7.7%
Earnings in excess (deficit) of policy target	2.5%	3.1%	1.2%	(2.3%)	(9.6%)

The actual returns by asset type (on a gross market basis) can be seen on the following chart:



All of the major asset classes matched or exceeded their relevant benchmarks, with significant positive returns achieved in the fixed income and real estate classes. While the overall equity market returns were negative 11.3%, the Canadian, U.S. and EAFE equity holdings outperformed their respective stock market indices.

For financial statement purposes, the net book value of the WCB's investment portfolio reflects the partial deferral of realized and unrealized market gains and losses. These gains and losses are amortized to income over 60 months, consistent with Life and Long-Term Disability insurance industry practices, in order to smooth investment returns. Despite the downturn in the equity portion of the WCB's investments and the withdrawal of $36.5 million from the portfolio to fund operations, the net book value of the portfolio remained at $712.6 million, as the amortization of gains from prior years was recognized in 2002. Investment returns on a book value basis were 4.9% (2001, 7.9%), a rate that fell short of the actuarial requirement for the benefit liability valuation.

Deferred Assessments

Under the provisions of *The Workers Compensation Act of Manitoba,* self-insured employers are entitled to defer payment of some future costs. In effect, these employers enjoy full pay-as-you-go status. In return for this status, the Act obligates the Government to honour these commitments or requires the participating self-insured employers to provide guarantees or securities satisfactory to the WCB. The deferred assessment amount parallels accumulated future costs of claims. The account balance remained stable in 2002 and further details can be found in the Financial Statement Notes.

Capital Assets

Additions to capital assets during 2002 totalled $2.9 million and were primarily concentrated in the (i) upgrading of information technology equipment and software, and (ii) system development activities. The system development projects included:

- development of disaster recovery readiness for corporate computer systems,
- additional enhancements to the Employer Premium Rate Setting Model, and
- continued development of infrastructure necessary to deliver applications (such as on-line accident reporting) in a web-enabled environment.

During the implementation of a new capital asset tracking system, a complete inventory of the WCB's capital assets was prepared. This process determined that a large number of fully depreciated assets were no longer in service. As a result, $8.8 million of computer equipment, systems development projects and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records.

Net book value at the end of 2002 was slightly lower than at the end of 2001 as amortization of capital expenditures exceeded capital acquisitions by approximately $0.6 million. Amortization expense for 2002 was $3.5 million (2001, $3.8 million), a level considered normal in relation to the capital expenditures.

Liabilities and Fund Balances

Payables and Accrued Liabilities

The principal items recorded here are trade accounts payable, accrued liabilities, obligations for employment benefits for staff, funds held for claimant annuities, deposits from self-insured employers, and grant commitments under the Community Initiatives and Research Program. Total payables have increased to $15.8 million, up 22.7% over 2001.

The Claimant Annuity Program account balance has grown to $5.2 million (2001, $4.3 million) and is expected to double or triple over the next decade. The annuity program was set up to assist claimants whose employers are not contributing on their behalf to a company pension plan while the employees are receiving wage loss benefits. The WCB contributes up to 5% of the claimant's benefits and the claimant is given the option to match this contribution. The annuity balance accumulates interest until the claimant reaches retirement.

The liability reflecting the current year earned portion of the vacation entitlement is now fully established at $2.1 million (2001, $1.3 million), essentially an accounting adjustment to recognize a liability for entitlements earned but not yet awarded.

Due to the continuing performance issues in the investment market, the employee pension plan has fallen into a deficit position at December 31, 2002 of $7.5 million (approximately 15% of plan obligations). Following generally accepted accounting principles, a portion of that shortfall has been recognized for financial statement purposes by the recording of an accrued benefit liability of $133 thousand in 2002 (2001, accrued benefit asset of $93 thousand). As a result of the deficit, it is expected that the WCB will be required to substantially increase funding contributions. This will cause the pension plan expense to increase to an estimated $2.7 million in 2003 (2002 $1.7 million, 2001 $1.3 million).

Benefit Liabilities

Benefit liabilities declined by almost 1% from 2001, mainly due to a $4.4 million decrease in the long-term disability through increased efficiencies in the administration of rehabilitation claims. This led to lower administration costs and decreased pension liabilities as a result of lump-sum payments in 2002. In aggregate, the remaining liabilities (ie: short-term disability, survivor benefits, healthcare benefits and rehabilitation services) were stable from the previous year. Further details of the components of benefit liabilities are shown in Note 10 to the Financial Statements.

Rate Stabilization Fund Balance

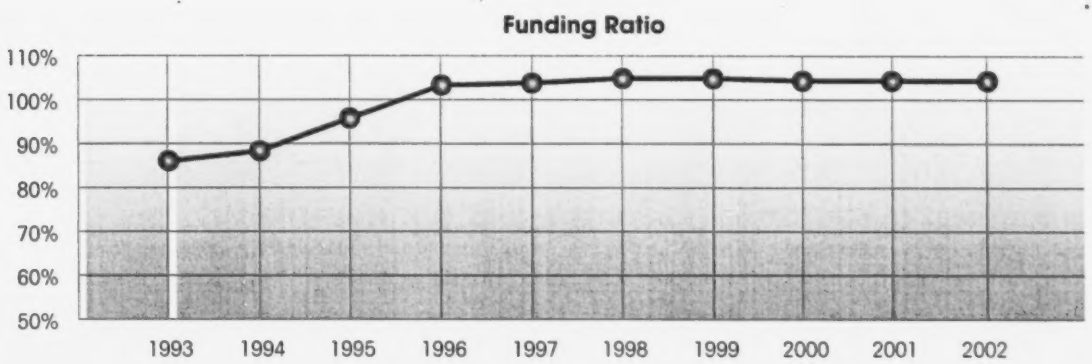
The Rate Stabilization Fund Balance is virtually unchanged at $55.2 million (2002 operating surplus of $45 thousand was added to the fund). The fund's target balance is based on an adapted formula—the Minimum Continuing Capital and Surplus Requirements—from the Office of the Superintendent for Financial Institutions, Canada (OSFI). The use of this formula allows the fund balance target to move in tandem with changes in the size of the WCB's assets and liabilities, thereby reducing risk to the organization. Based on this formula, the fund's target balance at the end of 2002 was $68.9 million, $13.7 million more than the actual balance.

Accident Fund Balance

The Accident Fund Balance was unchanged at $20.0 million as the operating surplus was allocated to the Rate Stabilization Fund Balance. Like the Rate Stabilization Fund Balance, a modified OSFI-formula is used to establish a target balance for the Accident Fund Balance from year to year. This floating target is responsive to changes in general business risks as it is based in part on premium and claims volumes. Accordingly, the target balance for the Accident Fund at the end of 2002 was $40.5 million.

Summary

The WCB now has liabilities totalling $693.8 million and a Rate Stabilization Fund Balance of $55.2 million, which are covered by assets totalling $769.0 million. This means that the WCB's funding ratio, using the Association of Workers Compensation Boards of Canada (AWCBC) definition, remained stable in 2002 at 102.7%. The ratio is calculated as assets per the financial statements divided by the sum of the WCB's liabilities and special purpose reserves.



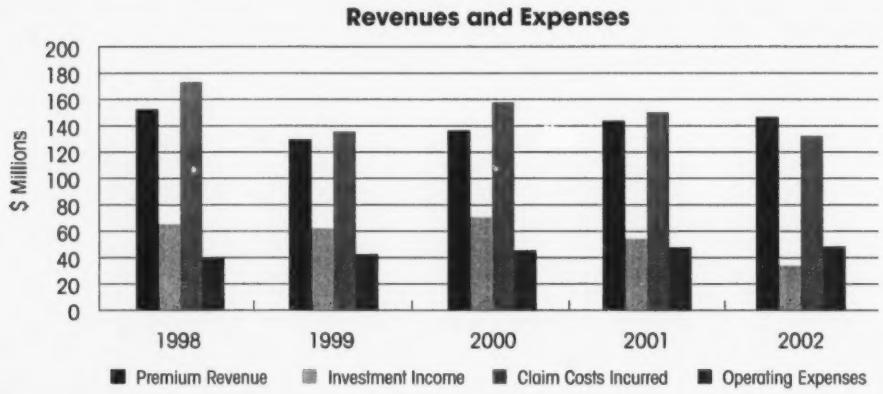
Funding ratio using AWCBC definition

When the Rate Stabilization Fund Balance is grouped with the Accident Fund Balance, instead of liabilities, the WCB's funding ratio is 110.8% at December 31, 2002, unchanged from one year earlier (110.8%). This means the WCB's total reserves are equal to almost 11% of its liabilities, short of the target level of 15.8%. Nonetheless, the WCB continues to have a comfortably strong balance sheet.

The funding ratio is a formula established by the AWCBC and is one indicator of the financial strength of the WCBs across Canada. Any amount above 100% indicates that the WCB is fully funded with a positive balance in its Accident Fund. Values below 100% signal that the WCB may be in an unfunded liability position. At the end of 2002, Manitoba is one of only two or three fully funded provincial WCBs in Canada.

The WCB's fiscal health has improved tremendously over the last 14 years as the unfunded liability balance, which hit $232 million by the end of 1988, has been eliminated and replaced with reserves totalling over $75 million today. This allowed the WCB to reduce average assessment rates from 1996 to 1999. Manitoba still enjoys average rates that are the lowest of all the provinces, even after the increase in rates effective July 1, 2002. This strong financial position also permitted the Board of Directors to approve various administrative policy changes in 2000 and 2001 that improved benefits for claimants. The WCB is now in a period of relative stability, aside from the unsettling investment markets, which means the rapid growth in assets and liabilities has largely abated. This is reflected in the five year plan which is published in conjunction with this annual report.

STATEMENT OF OPERATIONS



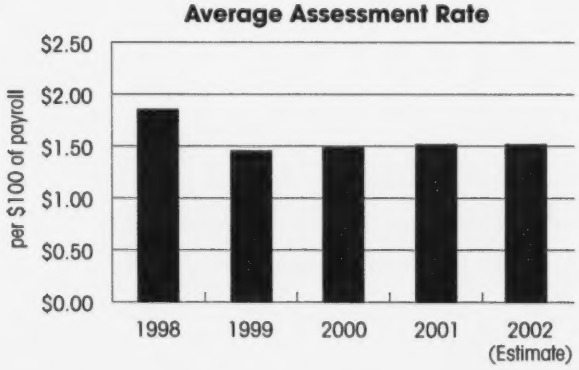
Revenue

Total revenue shrank by $17.3 million (8.8%) from 2001, as the decline in investment income completely offset the small growth in premium revenue.

Premiums

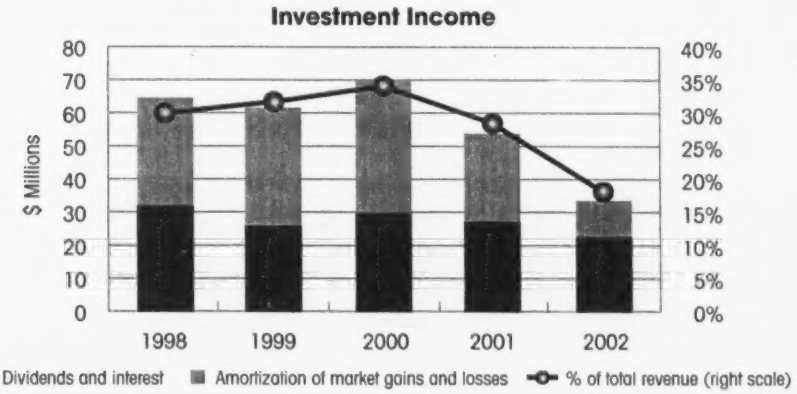
During 2002, premium revenue climbed by almost $3 million (2.1%) due to a combination of factors, including:

- The WCB set its rates to achieve a budgeted average rate of $1.525 for 2002 (2001, $1.49) based on budgeted assessable payroll levels by industry. Final results for 2002 show an average rate of $1.52 due to changing payroll levels in various industries, resulting in revenues that are greater than 2001 but less than 2002 budget. Likewise in 2001, the final actual average rate was $1.52 compared to the budget of $1.49 due to differing growth patterns in various industries.
- Manitoba economic growth rebounded in 2002—employment rose by 1.4% and aggregate assessable payrolls rose by 4.1%.

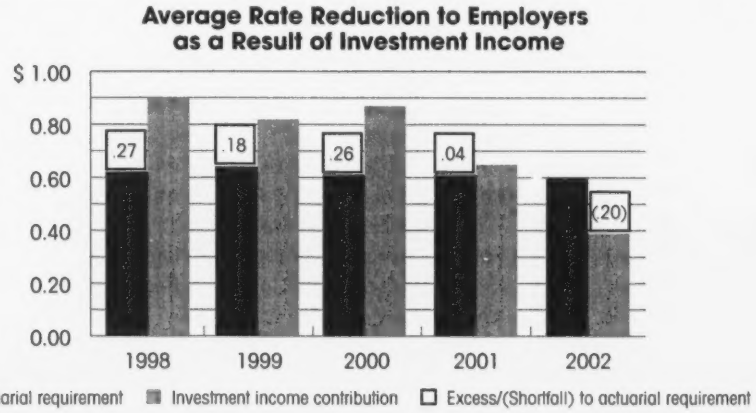


Investment Income

The WCB's investment portfolio is diversified for asset classes, geographic regions, and management styles. The contribution of investment income to the WCB's revenues peaked in 2000 at $70.4 million. The bear market for equities in 2001 and 2002 caused an erosion of this revenue stream such that it now contributes only 19% of total revenues (27%, 2001, 34%, 2000). Investment income fell $20.2 million (37%) from 2001. The net investment return of negative 2.3% also fell short of the actuarial assumption of a market return of 7% over the long-term.



The significant impact of investment revenue on the rates paid by employers is revealed on the following graph:



The actuarial requirement (7.0%) indicates the amount of investment income that is required to support the valuation of the benefit liabilities. The difference between the actuarial requirement and the investment income contribution represents the excess/(shortfall) of the investment income contribution for the fiscal period. Note that recorded investment income reflects the WCB's accounting policies with respect to deferral and amortization of both realized and unrealized gains and losses within the portfolio. In the short-term the WCB's reserves are able to absorb the drop in investment income. However, continued shortfalls will eventually lead to increases in premium rates.

Expenses

Claim Costs Incurred

Claim costs incurred are as follows:

In thousands of dollars	Short-Term Disability	Long-Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total
2002	$ 48,835	$ 37,787	$ 12,691	$ 28,952	$ 3,645	$ 131,910
2001	44,690	51,205	12,697	36,480	4,657	149,729
Increase (decrease)	$ 4,145	$ (13,418)	$ (6)	$ (7,528)	$ (1,012)	$ (17,819)

Claim costs are an estimate of the full costs for compensable injuries that occurred in 2002, together with adjustments to prior years' estimates. These estimates take into account (i) claims that are in pay, (ii) reported but as yet unpaid claims and (iii) unreported claims.

The 2002 estimated liability for unreported claims includes a liability for injuries with long latency periods, primarily occupational diseases and cumulative trauma disorders. This liability is recorded at $60.4 million, unchanged from 2001, and is pro-rated between the general body of employers (Class E) and self-insured employers. The inclusion of the liability for the expected costs for long latency injuries is consistent with the WCB's funding policy to use a "level" funding standard (i.e.: an allowance is set aside as these injuries are developing).

The WCB engages its external consulting actuary, Mercer Human Resource Consulting, to calculate the claim costs. As necessary, the actuary is asked to review the actuarial models used to prepare the valuation of the benefit liability balance. There were no significant actuarial adjustments in 2002.

Total claim costs incurred in 2002 decreased by $17.8 million (11.9%) to $131.9 million. The 2002 total is divided into costs incurred for the current year ($98.5 million) and prior years ($33.4 million). Costs incurred for prior years are adjustments to the actuarial estimates made in previous years and include the interest cost of discounted future cash flows and any pension surpluses that are achieved.

An analysis of claim costs incurred by category follows:

- Short-term disability claim costs incurred, i.e. wage loss compensation for claims that have yet to medically plateau or stabilize, were 9.3% higher than in 2001 which reflects a $4.0 million increase in the liability for future costs as, although the total number of claims was down in 2002, there were more claims in pay at the end of 2002 compared to 2001. This is consistent with the operation of the new case management model in which case managers have additional responsibility to work with claimants, which reduces transfer of files to rehabilitation.

- The long-term disability claim costs combine three different components, namely wage loss payments (made as part of rehabilitation programming), permanent impairment costs and the long latency provision. The cost of long-term disability claims decreased by $13.4 million, reflecting:

  i) a $4.8 million decrease in rehabilitation wage loss costs as more claims remain with the case manager under the new case management model,

  ii) a $4.1 million decrease in the liability for pensions and impairment awards,

  iii) a $4.5 million decrease in the administration expense for rehabilitation claims due to improvements in administrative efficiency, and

  iv) the unchanged balance in the liability for long latent occupational diseases.

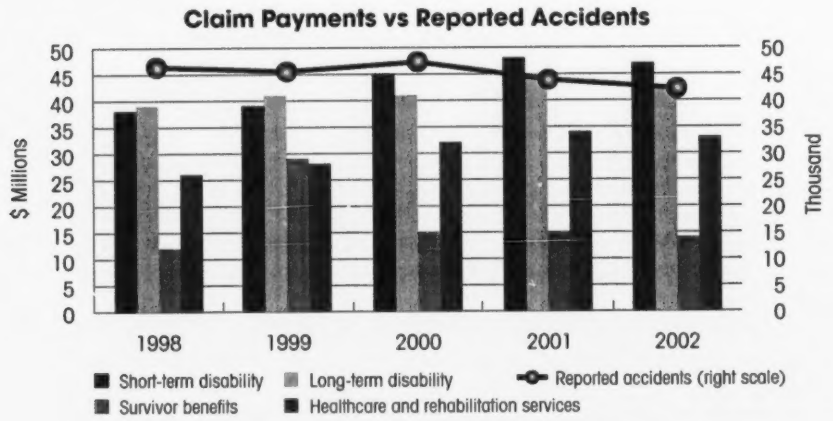
- The 2002 claim costs for survivor benefits remained fairly constant at $12.7 million. A slight decrease in the number of fatality claims was offset by higher benefits per survivor.

- Healthcare benefit costs decreased $7.5 million (20.6%) reflecting a 3% reduction in the number of claims drawing healthcare and fewer serious injuries resulting in significant decreases in overnight hospital stays, long term hospital care, and physiotherapy services. In addition, prior year healthcare future cost estimates have been lowered.

- Claim costs incurred for rehabilitation services are down $1.0 million due to decreases in prior year future cost estimates for third party service provider expenditures.

The amount of claim payments, as distinct from the claims expense and future costs, made in 2002 decreased to $137.1 million from $141.7 million in 2001, a change of 3.2%. Payments declined as wage loss and healthcare payments during the year were down $4.4 million, due to lower claim volumes and higher recoveries from third parties, such as other insurance agencies. As well, 2001 payments included $2.2 million of lump sum settlements offered to claimants who were receiving small monthly pension payments.

The following chart illustrates the five year trend in the major payment categories and the relationship to reported accidents.



Administration Expenses

Administration expenses totalled $40.1 million in 2002, which is an increase of $0.5 million (1.3%) over 2001. This was driven by a 4.0% increase in staffing costs and increased costs associated with opening the northern office in Thompson; partially offset by a 30% reduction in professional fees. In more detail:

- salaries, benefits and training expense increases totalled $1.1 million largely due to escalating pension costs, the contractual wage increase and the recognition of the full vacation liability cost,
- an additional $195 thousand to fund staffing, facilities and other costs associated with the new northern office located in Thompson that opened in October, 2002, and
- professional fees have declined for the third straight year as a result of ongoing knowledge transfers which allow the WCB to rely more extensively on its staff resources instead of external consultants and contractors.

Further analysis is provided in Note 12 to the Financial Statements.

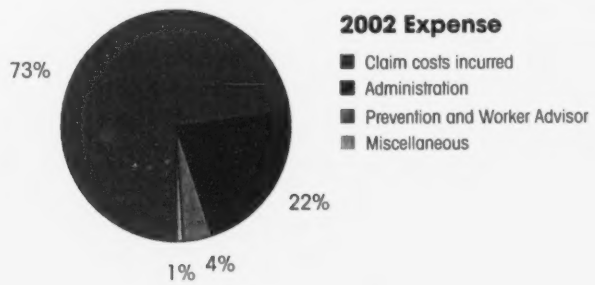
Prevention and Worker Advisor Expenses

The Workers Compensation Act of Manitoba requires the WCB to pay the Province of Manitoba's consolidated revenue fund for services rendered by the Workplace Safety and Health Division and the Worker Advisor Office of the Department of Labour, subject to statutory provisions which limit increases in the funding grant.

In 2002, these expenses remained relatively unchanged at $6.4 million.

Community Initiatives and Research Program Grants

Ten projects, totalling $863 thousand, plus an uncommitted sum of $137 thousand were approved for research and education purposes under a program developed by the Board of Directors in 1997. Further detail on the grant program is provided beginning on page 18.



Operating Surplus

Although investment revenue declined by $20.2 million, reduced accident and claim levels, and efforts to contain administration costs, allowed the organization to end the year with a small surplus of $45 thousand. The surplus was added to the Rate Stabilization Fund Balance.

STATEMENT OF CASH FLOWS

During 2002, the organization had a decrease in cash of $2.4 million, in comparison to a net increase in cash in 2001 of $0.5 million. Cash flows from premiums were below the required levels for payments to claimants, purchases of administration goods and services and capital asset acquisitions by $39.1 million (2001, $48.6 million).

As the operations shortfall was smaller in 2002, the WCB withdrew less from the investments portfolio and cash flow generated by the investments portfolio was only $36.7 million (2001, $49.1 million).

This trend, of low cash balances and reliance on investment income to fund operations, will continue in the future.

OPERATIONAL STATISTICS

The statistical data reflects comparative preliminary year-end reporting and certain of these figures will be adjusted as the reporting cycle continues. Revised figures in the 2001 column are denoted by an "r".

These operational statistics complement those appearing in the annual report beginning on page 75.

New Claims

The total number of accidents reported in 2002 was down 3.1% compared to 2001. The number of accepted time loss claims decreased by 3.5%, reflecting a decreasing proportion of time loss claims.

The average number of elapsed days from accident to notification decreased approximately 14.3% for routine claims reflecting the improvements in delivery channels through the Claim Information Centre, fax reporting by healthcare providers and on-line accident reporting by employers.

An increase of 4.6% was observed in the average time from loss of earnings date to first payment for all claims. This reflects the challenge the WCB faces as it strives to improve service to its stakeholders.

NEW CLAIMS	2002	2001
1. Reported Accidents		
Time Loss	19,707	20,263
No Time Loss	23,228	24,056
Fatalities	50	42
Total	**42,985**	**44,361**
2. Claims Accepted or Unadjudicated		
Time Loss	18,109	18,771
No Time Loss	17,322	18,114
Fatalities	38	28
Pension	131	120
Total	**35,600**	**37,033**
3. Claims Disallowed		
Referred	68	55
No Coverage	787	879
Initially Not Accepted	1,431	1,303
Abandoned	5,099	5,091
Total	**7,385**	**7,328**
4. Total Covered Population *	367,000	362,000 r
Time Loss Claim Rate	5.0%	5.2% r
5. Average Days from Accident to Notification		
Routine Claims **	7.8	9.1
6. Average Days from Loss of Earnings Date to First Payment		
All Claims	38.9	37.2
7. Reconsideration Decisions		
Review Office (% of settled claims)	1,249 (2.5%)	1,142 (3.0%)
% Upheld	70%	71%
% Overturned (including partial)	30%	29%

* Full-time equivalent workers based on Statistics Canada average wage and WCB payroll information. In 2001, Statistics Canada changed their methodology to determine average industrial wage. As this statistic is used to calculate the number of covered workers, the previously published figures for years before 2001 must be restated using the new methodology. This change in methodology results in a lower calculated figure for covered workers and an increase in the time loss claim rate. Previous estimates are not comparable.

** Routine claims constitute about 85% of the total.

Active Claims

Although the total number of short-term claims was down in 2002, active claims at year-end increased slightly due to seasonal fluctuations; therefore, the number of short-term disability claims under administration at year-end increased by 1.0%.

Active rehabilitation claims at December 31, 2002 were down 6.7% from 2001 as, under the case management structure, case managers have additional responsibility to work with the claimants, which reduces transfers of files to rehabilitation.

The number of long-term disability claims decreased slightly by 0.8%.

The number of active survivor claims decreased slightly by 2.4%.

ACTIVE CLAIMS AT YEAR-END	2002	2001
1. Active, Short-Term Disability Claims (see note)	2,052	2,031 r
2. Active Rehabilitation Claims (see note)	680	729 r
3. Active, Long-Term Disability Claims (see note)		
Life Pensions (excluding survivors)	3,310	3,394
Special Additional Compensation	488	511 r
Earnings Loss (Rehabilitation Income Maintenance)	673	600 r
Total	**4,471**	**4,505 r**
4. Active Survivor Claims		
Spouse	504	521
Children	414	420
Other	7	7
Total	**925**	**948**
5. Total Active Claims	**8,128**	**8,213 r**

NOTE: The definition of Active Claims has been changed to be consistent with operational caseload tracking by management. Under the new methodology, only claims actively in receipt of a wage loss benefit at year-end are considered active, as opposed to the previous methodology which would have included certain settled wage loss claims.

New Long-Term Claims

Total new impairment awards decreased by 7.9% to 1,039. The average impairment rate awarded to claimants as a result of their injuries decreased from 7.6% to 7.2%.

The number of new entrants to rehabilitation decreased by 15.5%, reflecting the decrease in claims reported in 2001, which have worked their way through the case management system.

NEW LONG-TERM CLAIMS	2002	2001
1. New Impairment Awards		
Life Pensions	183	280
Lump Sum	831	821
Supplements	25	27
Total	**1,039**	**1,128**
2. Average New Impairment Award	7.2%	7.6%
3. New Entrants to Rehabilitation Programs	299	354
4. Propensity to Award Long-Term Benefits *(% becoming long-term)*	1.6%	1.8%
5. Average New Long-Term Earnings Loss *(% of pre-accident earnings)*	76.6%	80.1%

Duration/Severity

Duration on claims is the number of days that a claimant receives wage loss replacement. Duration can be measured in a variety of ways including the composite measure, a standardized formula which is used for inter-provincial comparisons.

The composite measure formula counts actual duration for settled claims, as well as accumulated duration for claims that have not yet been settled. This measure is often viewed as being the most representative of actual practice. It may be caiculated for the current year alone, as well as all accumulated years. Using this measure, duration decreased for the "all years" categories, while it rose for the "current year" calculation. For "current year" duration this suggests a slight increase in average claim severity as a result of fewer current year claims. The "all years" duration decreased because of the success the case management model has in returning claimants to work.

DURATION/SEVERITY – Composite Measure ***(in days)***	**2002**	**2001**
1. Average Duration of Claims ***(Compensation)***		
Current	21.7	21.4
All years	38.9	39.7
2. Average Duration of Claims ***(All Wage Loss)***		
Current	22.8	22.2
All years	43.6	44.2

Assessments

These statistics complement those appearing in the statistics section of the annual report on page 84.

ASSESSMENTS STATISTICS	2002	2001
1. Assessable Payroll *($ millions)*	$ 8,600	$ 8,259 r
2. Rates		
Average	$ 1.52	$ 1.52 r
Lowest	0.15	0.17
Highest	16.73	13.14
3. Employers		
Total registered at year-end	24,453	23,846
New registrants in year	2,932	2,781
4. Write-offs as % of Class E Premiums	0.4%	0.4%

Staffing

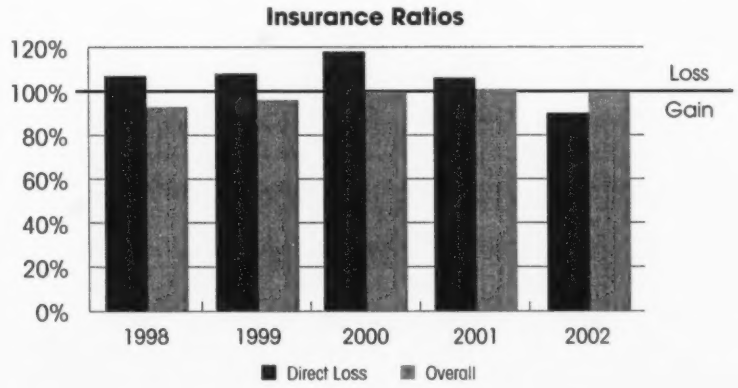
The board's staffing complement at December 31 is as follows:

STAFFING COMPLEMENT	2002	2001
Approved full-time permanent positions	469.8	468.8
Healthcare Professionals (part-time contract)	31	33
Healthcare Professionals (full-time contract)	0	0

Insurance Ratios

The financial operations of the WCB can be summarized by two ratios commonly used by the insurance industry. The direct loss ratio divides claim costs incurred with premium revenue; when this ratio exceeds 100%, the WCB loses money on claims as it pays out more on claims than it collects in premiums. The overall ratio is a measure of the WCB's experience taking into account investment income and operating overheads. When the overall ratio exceeds 100%, the WCB loses money resulting in an operating deficit.

Of the two ratios, the overall ratio is considered the most telling statistic as it utilizes all revenue and expense categories and, thus, it is the most indicative of the WCB's total operations. Although the direct loss ratio produced a value of 90.3% for 2002, signalling a sizable surplus on insurance operations, the critical overall ratio deteriorated and reached almost 100%. This indicates that the downturn in investment markets left the WCB with insufficient investment income to cover operating overheads. Fortunately, the positive performance on the cost of claims allowed the WCB to achieve a small operating surplus.



The upward trend in both ratios from 1998 to 2000 was the result of recording the long latency and surviving spouse benefit liabilities. 2002 results showed a 15.2% decrease in the direct loss ratio, while the overall improved slightly to 100%. Based on the 2003 budget and the Five Year Plan, it is projected that the direct loss ratio will be in a band from 85% to 93%. The overall ratio is expected to show values of about 100% in 2003 before rising to 105% for 2004. In 2006 it is projected to move back into positive territory at approximately 97%.

FINANCIAL STATISTICS

	2002	2001
1. Expenses (as a percentage of total expenses)		
Claim costs – current year	$ 98,533,000 (54.8%)	$103,770,000 (52.6%)
Claim costs – prior years	33,377,000 (18.6%)	45,959,000 (23.3%)
Operating expenses	47,931,000 (26.6%)	47,389,000 (24.1%)
Total	**179,841,000 (100%)**	**197,118,000 (100%)**
2. Administration Expenses *(AWCBC definition)*		
Expenses	$ 39,138,000	$ 38,280,000
Administration cost per acceptec time loss claim	2,161	2,039
3. Maximum Weekly Compensation		
(for a two parent, two child family)	$ 663.43	$ 621.17
4. Claim Costs Incurred on a fully-funded basis		
Total *(all years)*	$ 131,910,000	$ 149,729,000
Total *(current year)*	98,533,000	103,770,000
Per accepted time loss claim *(all years)* – Note 1	7,284	7,977
Per accepted time loss claim *(current year)*	5,441	5,528
5. Ratios		
Premiums per covered worker – Note 2	$ 398	$ 395 r
Claim costs incurred per covered worker – Note 2	$ 359	$ 414 r
Claim costs incurred per $100 of assessable payroll – Note 3	$ 1.53	$ 1.81
Benefit liabilities expressed as a multiple of benefit payments – Note 4	4.9	4.8
Workplace Safety & Health and Worker Advisor Office costs per $100 of assessable payroll	$ 0.07	$ 0.08
6. Insurance Ratios *(see separate discussion)*		
Direct loss	90.3%	106.5%
Overall	99.9%	101.3%
7. Book Rate of Return on Investments	4.9%	7.9%
8. Market Rate of Return on Investments, gross	-1.9%	+1.9%
9. Funding Ratio *(AWCBC definition)*	102.7%	102.7%

Note 1

The claim costs incurred per accepted time loss claim (all years) decreased by $693. This calculation, which divides total claim costs incurred for all years by accepted time loss claims in 2002, conforms to the approach recommended by the AWCBC for reporting to the Financial Executives Institute of Canada. Both total claims costs for current year and prior year claims decreased (as discussed previously under Statement of Operations) in 2002 driving down the average cost.

Note 2

Premiums per covered worker and claim costs incurred per covered worker represent two measures of the economic cost of insurance for the policyholders and beneficiaries. Premiums per covered worker increased by 0.8% to $398 reflecting the slightly higher premiums. Claim costs per covered worker decreased by 13.3%, to $359 per worker, as a result of lower claim costs incurred due to fewer claims.

Note 3

The amount of claim costs incurred per $100 of assessable payroll is one important indicator of sustainable long-term assessment rates in the absence of investment earnings. In 2002, this indicator has decreased to $1.53 from last year's value of $1.81, a 15.5% decrease. Claim costs incurred decreased compared to last year as a result of fewer claims while assessable payroll increased with higher wages and employment growth. As a result, average claim costs per $100 of assessable payroll dropped.

Note 4

Benefit liabilities expressed as a multiple of payments made is a measure of the average "tail" or longevity of the liabilities. For 2002 the multiple is 4.9 times (2001 – 4.8 times).

STATEMENT OF **ACTUARIAL OPINION**

with respect to the

Present Value of Future Benefit Liabilities of the Workers Compensation Board of Manitoba based on an actuarial valuation as at December 31, 2002

We have completed an actuarial valuation of the benefit liabilities for insured and self-insured employers under *The Workers Compensation Act of Manitoba* as at December 31, 2002. The purpose of the valuation is to provide adequate and appropriate estimates of the present value of future benefit obligations for inclusion in the WCB's 2002 financial statements. The benefit liabilities reflect payments that will be made in future years as a result of accidents or exposures that occurred on or before December 31, 2002. We have estimated these liabilities to be $678.0 million as at December 31, 2002.

The WCB's benefit liabilities include the actuarial present value at December 31, 2002 of:

- wage loss benefits,
- disability pensions,
- survivor benefits,
- healthcare benefits, and
- rehabilitation benefits.

We have performed the analysis and calculations for these components of the benefit liabilities.

The WCB's benefit liabilities also include provisions for the following items which have been calculated based on analysis performed by the WCB using methods that we consider to be reasonable:

- the present value of future claims administration costs the WCB estimates will be required for payment of these benefits, and
- the present value of the cost of benefits for future long latency claims presently in a latency period, proportionate to the period of latency that has passed.

This valuation is based on the provisions of *The Workers Compensation Act of Manitoba* and amendments made to the Act as of December 31, 2002, and the current practices and administration procedures of the WCB. The actuarial methods used for the valuation reflect the WCB's historical claims experience. The methods used to estimate the present value of benefits have mostly been retained from the prior valuation with some minor modifications that are described fully in the actuarial report. The approximate effect of these modifications combined with the effect of other changes to the actuarial basis is shown below.

Future investment earnings are projected at seven percent. Where benefits are indexed to price inflation, a four percent rate has been used to project investment earnings in excess of benefit indexation. Where benefits are indexed to wage inflation, a three percent rate has been used to project investment earnings in excess of indexation. A three percent rate has also been used to project investment earnings in excess of future inflationary increases in healthcare benefits and rehabilitation service provider benefits.

Complete information regarding our actuarial valuation is provided in our valuation report to the WCB dated March 2003.

The balance sheet from the WCB's December 31, 2002 financial statements shows rate stabilization fund and accident fund balances totalling $75.2 million, a net increase of $0.1 million since December 31, 2001. The major components contributing to the change in fund balances during 2002 are shown below. This reconciliation of the WCB's fund balances is based on the calculations described in this report, information shown on the WCB's financial statements with respect to assessment revenues and investment income, and benefit payment data supplied by the WCB.

The following table shows the reconciliation of the fund balances for 2002 and the two prior years.

	($ Millions)		
	2000	**2001**	**2002**
Total Fund Balances at Beginning of Year	**$77.1**	**$77.6**	**$75.1**
Plus			
Expected investment income on the fund	5.4	5.4	5.3
Experience gains (losses) resulting from:			
• investment earnings above the valuation interest rate	21.3	3.5	(17.4)
• prior years' claims	(22.6)	(27.9)	(3.0)
• current year's claims	(6.9)	13.8	11.0
Gains resulting from changes to the actuarial basis	3.6	1.6	0.7
Changes in Act/Policy	0.0	0.0	0.9
Gains (losses) due to other factors	(0.3)	1.1	2.6
Total Fund Balances at End of Year	**$77.6**	**$75.1**	**$75.2**
Comprised of :			
• Rate stabilization fund	$57.6	$55.1	$55.2
• Accident fund	$20.0	$20.0	$20.0

We have relied on the accuracy and completeness of the data supplied by the WCB. Where possible, we have compared the data with prior years' data to identify any inconsistencies.

In my opinion,

- the data is sufficient and reliable for the purpose of the valuation;
- the assumptions made for the valuation are appropriate for the purpose of the valuation;
- the methods employed are consistent with sound actuarial principles for the purpose of the valuation.

The valuation report on which this certificate is based has been prepared and the opinions given in accordance with accepted actuarial practices.

Yours truly,

Mercer Human Resource Consulting

A. Douglas Poapst, F.S.A., F.C.I.A.
March 13, 2003

AUDITORS' **REPORT**

To the Workers Compensation Board of Manitoba

We have audited the balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 1, 2002.

Grant Thornton LLP

Winnipeg, Canada
February 28, 2003

Grant Thornton LLP
Chartered Accountants

BALANCE SHEET

December 31, 2002
(in thousands of dollars)

	2002	2001
Assets		
Cash (Note 3)	$ (371)	$ 2,025
Receivables (Note 4)	23,322	22,694
Investment portfolio (Note 5)	712,634	712,531
Deferred assessments (Note 6)	20,899	20,872
Capital assets (Note 7)	12,484	13,046
	$ 768,968	$ 771,168
Liabilities and Fund Balances		
Payables and accrued liabilities (Note 8)	$ 15,817	$ 12,896
Benefit liabilities (Note 10)	677,965	683,131
Total liabilities	693,782	696,027
Rate stabilization fund balance (Note 11)	55,168	55,123
Accident fund balance (Note 11)	20,018	20,018
	$ 768,968	$ 771,168

Signed on behalf of the Board of Directors

Wally Fox-Decent
Chairperson, Board of Directors

Bruno Zimmer
Finance Committee of the Board of Directors

The accompanying notes are an integral part of the financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2002
(in thousands of dollars)

	2002	2001
Revenue		
Premiums – Class E employers	$ 129,073	$ 126,024
Premiums – Self-insured employers	16,945	17,058
Total premium revenue	146,018	143,082
Investment income required to support actuarially determined benefit liabilities (Note 5)	51,241	50,570
Investment income exceeding (below) actuarial requirement (Note 5)	(17,400)	3,500
Total investment income	33,841	54,070
Total revenue	179,859	197,152
Expenses		
Claim costs incurred (Note 10)	131,910	149,729
Operating expenses (Note 12)	47,931	47,389
Total expenses	179,841	197,118
Operating surplus before deferred assessments	18	34
Increase (decrease) in deferred assessments	27	(2,476)
Operating surplus (deficit)	$ 45	$ (2,442)

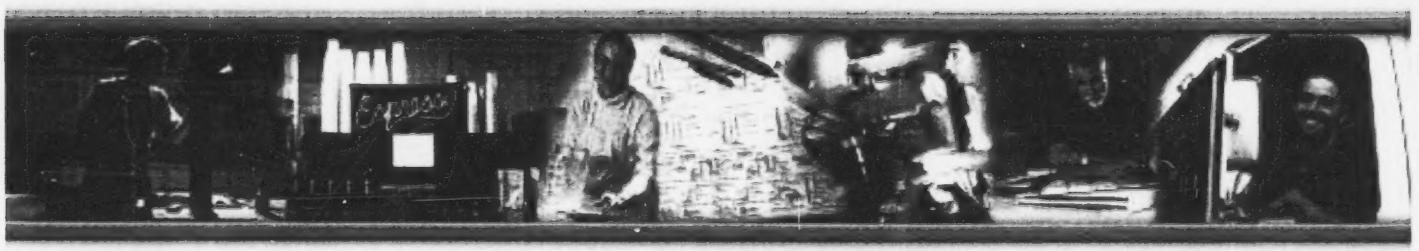
The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended December 31, 2002
(in thousands of dollars)

	2002	2001
Rate stabilization fund balance		
Balance at beginning of year	$ 55,123	$ 57,565
Allocation from operating surplus (deficit)	45	(2,442)
Balance at end of year	$ 55,168	$ 55,123
Accident fund balance		
Balance at beginning of year	$ 20,018	$ 20,018
Allocation from operating surplus (deficit)	0	0
Balance at end of year	$ 20,018	$ 20,018

The accompanying notes are an integral part of the financial statements.



STATEMENT OF CASH FLOWS

Year Ended December 31, 2002
(in thousands of dollars)

	2002	2001
Operating cash flows		
Premiums from employers	$ 145,380	$ 142,270
Investment revenue	25,666	30,280
Payments to claimants or third parties on their behalf	(137,076)	(141,682)
Purchases of administration goods and services	(44,479)	(46,036)
Net cash used by operating activities	(10,509)	(15,168)
Investing cash flows		
Proceeds on disposal of investments	858,683	666,974
Purchase of investments	(847,631)	(648,116)
Capital asset acquisitions, net of disposals	(2,939)	(3,165)
Net cash provided by investing activities	8,113	15,693
Net (decrease) increase in cash	(2,396)	525
Cash at beginning of year	2,025	1,500
Cash at end of year (Note 3)	$ (371)	$ 2,025

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2002
($ amounts in thousands of dollars unless otherwise noted)

1. Nature of Operations

The Workers Compensation Board of Manitoba (the WCB) operates under the authority of *The Workers Compensation Act of Manitoba*. The WCB is responsible, in accordance with the provisions of the Act for:

- administering payments to injured workers and suppliers of services to injured workers,
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims, and
- investing surplus funds.

An independent Workers Compensation Appeal Commission is established under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's mission is to provide superior compensation services to Manitoba workers and employers in a manner that is sensitive, responsive and effective in order to minimize the impact of workplace injuries.

The WCB's funding policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully-funded basis to a level-funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the worker's period of exposure to the elements which lead to the injury or disease.

2. Significant Accounting Policies

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Investments

Short-term investments are carried at cost. The remaining investments are recorded at cost adjusted toward market value using the moving average market method. Unrealized and realized gains and losses are deferred and amortized on a straight-line basis over 60 months. Interest and dividend income are recognized in the period earned.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development	3 - 5 years
Furniture, fixtures and equipment	5 years
Building renovations	10 years
Building	40 years

Employee Future Benefits

The cost of providing pension and other post-employment benefits to employees is recorded as an expense in the period in which employees' services are rendered. The corridor approach is used to record actuarial gains and losses for both the pension plan and other post-employment benefits. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

Benefit liabilities

The WCB's independent consulting actuary conducts a review of and reports on the benefit liabilities of the WCB at each year-end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Premium revenue

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers. Employers registered within Class E are subject to collective liability, and assessment premiums are determined by applying applicable industry assessment rates to the employers' reported payrolls for the current year.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers.

Foreign currency translation

Assets and liabilities, with the exception of investments, denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for investments are recorded in the same manner as the related investment gains, losses, revenues or expenses.

3. Cash

	2002	2001
Money market instruments	$ 3	$ 33
Bank balances	1,655	3,813
Cheques issued and outstanding	(2,029)	(1,821)
	$ (371)	$ 2,025

The WCB has established an operating line of credit with its principal banker in the amount of $3 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Treasury Division of the Province of Manitoba in the amount of $40 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

4. Receivables

	2002	2001
Premiums for Class E employers	$ 19,824	$ 19,368
Allowance for doubtful accounts	(1,869)	(1,676)
	17,955	17,692
Prepaid employee pension plan costs	-	93
Premiums for self-insured employers	2,871	1,983
Mortgages	1,100	1,400
Sundry	1,396	1,526
	$ 23,322	$ 22,694

Mortgages receivable bear interest at a rate of 6.0% per annum and are due in 2003.

5. Investment Portfolio

The book value and the estimated fair value (market value) of the investments are:

	2002				2001			
	Book Value	Estimated Fair Value	Average Term to Maturity (years)	Actual Market Rate of Return	Book Value	Estimated Fair Value	Average Term to Maturity (years)	Actual Market Rate of Return
Cash and Short-Term Investments	$ 36,770	$ 36,770	0.1	2.9%	$ 38,038	$ 38,038	0.1	5.2%
Bonds								
Government of Canada	112,758	117,782	–	–	140,826	144,745	–	–
Provincial	64,614	68,936	–	–	76,406	79,073	–	–
Corporate	93,630	96,749	–	–	106,845	109,009	–	–
	271,002	283,467	11.3	8.9%	324,077	332,827	9.3	8.3%
Mortgages	3,823	3,387	0.8	3.2%	8,167	7,889	1.5	7.0%
Real Estate	40,555	44,222	–	12.1%	40,193	42,599	–	15.3%
Equities								
Canadian	146,971	149,484	–	(7.2%)	181,032	153,878	–	(4.3%)
U.S.	97,472	89,995	–	(17.6%)	51,408	59,377	–	0.7%
Europe, Australia and Far East	112,988	74,612	–	(15.6%)	120,448	101,664	–	(11.7%)
Emerging markets	11,166	10,526	–	(6.8%)	8,480	8,019	–	(0.2%)
	368,597	324,617	–	(11.3%)	361,368	322,938	–	(6.6%)
Total	720,747	$ 692,463	–	(1.9%)	771,843	$ 744,291	–	1.9%
Deferred realized gains	(8,113)				(59,312)			
Net Book Value of Investments	$ 712,634				$ 712,531			

While the net book value of the investment portfolio exceeded the estimated fair value of the portfolio at December 31, 2002, management believes that this is a temporary decline in estimated fair value.

Reconciliations of the changes for the year in the deferred unrealized and realized gains (losses) balances are as follows:

	2002	2001
Deferred Unrealized (Losses)		
Balance at beginning of year	$ (27,552)	$ (3,684)
Unrealized net losses for the year	(6,494)	(25,854)
	(34,046)	(29,538)
Amortization during year	5,762	1,986
Balance at end of year	$ (28,284)	$ (27,552)
Deferred Realized Gains (Losses)		
Balance at beginning of year	$ 59,312	$ 79,304
Realized net gains (losses) for the year	(34,473)	8,509
	24,839	87,813
Amortization during year	(16,726)	(28,501)
Balance at end of year	$ 8,113	$ 59,312
Investment Income		
Investment income was derived from the following sources:		
Cash and short-term investments	$ 319	$ 1,810
Bonds	16,628	19,724
Mortgages	519	673
Real estate	2,936	3,225
Canadian equities	2,585	2,415
Foreign equities	2,890	3,137
Amortization of deferred unrealized losses	(5,762)	(1,986)
Amortization of deferred realized gains	16,726	28,501
Loan interest	(22)	(183)
Expenses	(2,978)	(3,246)
Investment income	$ 33,841	$ 54,070

Based on the 7.0% discount rate (2001 – 7.0%) used to actuarially determine the benefit liabilities, the required investment return on average investment assets is $51.2 million (2001 - $50.6 million). Total investment income of $33.8 million (2001 - $54.1 million) was below the actuarial requirement by $17.4 million (2001 - $3.5 million in excess of the actuarial requirement). The analysis of investment income presented in the Statement of Operations has been disclosed for informational purposes. This provides a comparison of the return on investments required to support benefit liabilities to the actual returns.

Market Risk

The WCB invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97% (2001 - 97%) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its investments to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105% of the market amount of the investment instruments borrowed. As of December 31, 2002 secured loans amounted to $34.3 million (2001 - $25.7 million).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies. During 2002 the WCB did not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table at the beginning of this note discloses the remaining term to maturity of the WCB's fixed term investments.

6. Deferred Assessments

Deferred assessments represent the WCB's estimate of premiums which will be received in the future from the self-insured employers to fund the future costs of existing claims that have arisen from their employees. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2002	2001
Balance at beginning of year	$ 20,872	$ 23,348
Change in future costs	(164)	(253)
Change in pension related transactions	958	(1,162)
Interest allocation	(767)	(1,061)
Net change in deferred assessments	27	(2,476)
Balance at end of year	$ 20,899	$ 20,872

7. Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 10,742	$ 8,217	$ 2,525	$ 2,811
Systems development projects	6,117	3,441	2,676	2,892
Furniture, fixtures and equipment	1,901	1,655	246	369
Building renovations	3,142	1,431	1,711	1,999
Building and land	5,526	200	5,326	4,975
	$ 27,428	$ 14,944	$ 12,484	$ 13,046

During the implementation of a new capital asset tracking system, a complete inventory of the WCB's capital assets was prepared. This process determined that a large number of fully depreciated assets were no longer in service. As a result, $8.8 million of computer equipment, systems development projects and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records.

8. Payables and Accrued Liabilities

	2002	2001
Accounts payable and accrued liabilities	$ 3,067	$ 2,496
Claimant annuity program	5,229	4,255
Community Initiatives and Research Program grants	2,067	1,941
Deposits from self-insured employers	1,379	1,333
Employee pension plan liability	133	0
Employee vacation entitlements	2,067	1,244
Other payables	1,166	1,172
Sick leave plan	709	455
	$ 15,817	$ 12,896

9. Employee Future Benefits

The WCB has a defined benefit plan that provides pension benefits to employees based on length of service and highest average earnings. The WCB also has a benefit plan that provides for a payment of accumulated sick leave credits to employees that meet established criteria upon termination or retirement.

Information about the WCB's employee benefit plans as at December 31, is as follows:

	Pension Plan		Sick Leave Plan	
	2002	2001	2002	2001
Fair value of plan assets	$ 43,036	$ 44,033	$ –	$ –
Accrued benefit obligation	50,514	45,267	1,973	1,652
Plan deficit	$ (7,478)	$ (1,234)	$ (1,973)	$ (1,652)
Accrued benefit asset (liability)	$ (133)	$ 93	$ (709)	$ (455)

The WCB determined an expected future benefit (the transitional asset) of $675 thousand existed at January 1, 2000, the date of adoption of the new accounting policy. This amount is being amortized to operations over 15 years. An unamortized balance of $540 thousand remained at December 31, 2002.

While the obligation to pay sick leave credits is unfunded in the sense that the WCB does not hold segregated assets to fund the obligation, the WCB itself has sufficient assets to support its liabilities.

The significant actuarial assumptions adopted in measuring the WCB's accrued benefit obligations are:

	Pension Plan		Sick Leave Plan	
	2002	2001	2002	2001
Discount rate	7.0%	7.0%	7.0%	7.0%
Expected long term rate of return on plan assets	7.5%	7.5%	7.0%	7.0%
Rate of compensation increase	5.0%	5.0%	2.75%	2.75%
Expected average remaining service life (in years)	15	15	15	15

Effective January 1, 2003, the assumption for the expected long term rate of return on pension plan assets was reduced to 7.0%.

Other information about the WCB's employee benefit plans is as follows:

	Pension Plan		Sick Leave Plan	
	2002	2001	2002	2001
Plan expense	$ 1,676	$ 1,346	$ 307	$ 307
Employer contributions	1,450	1,383	–	–
Employee contributions	1,216	1,165	–	–
Benefits paid by the plan	1,431	1,140	53	35

10. Benefit Liabilities

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long-term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities are as follows:

	2002	2001
Future investment earnings	7.0%	7.0%
Benefits indexed to CPI	3.0%	3.0%
Wage indexation	4.0%	4.0%
Healthcare benefits indexation	4.0%	4.0%

An analysis of the components of and changes in benefit liabilities is as follows:

	2002						2001
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 78,270	$360,629	$150,081	$ 75,674	$ 18,477	$683,131	$675,084
Add: Claim costs incurred							
Current year	62,368	(1,157)	7,745	24,159	5,418	98,533	103,770
Prior years	(13,533)	38,944	4,946	4,793	(1,773)	33,377	45,959
	48,835	37,787	12,691	28,952	3,645	131,910	149,729
Less: Claim payments made							
Current year	22,291	86	253	9,929	28	32,587	32,130
Prior years	25,154	42,133	14,096	19,390	3,716	104,489	109,552
	47,445	42,219	14,349	29,319	3,744	137,076	141,682
Balance at end of year	$ 79,660	$356,197	$148,423	$ 75,307	$ 18,378	$677,965	$683,131

The liability for short-term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long-term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, and estimated future pension payments. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of

workplace accidents. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are supplied externally to the WCB.

Included in long-term disability is the WCB's liability, in the amount of $60.4 million (2001 - $60.4 million) for the future cost of claims relating to certain latent occupational diseases which may have occurred in the current year or prior years, but which may not be recognized and reported for a number of years due to the extended latency periods of such diseases.

Also included in benefit liabilities is a provision in the amount of $35.3 million (2001 - $40.0 million) for the future cost of administering existing claims.

11. Fund Balances

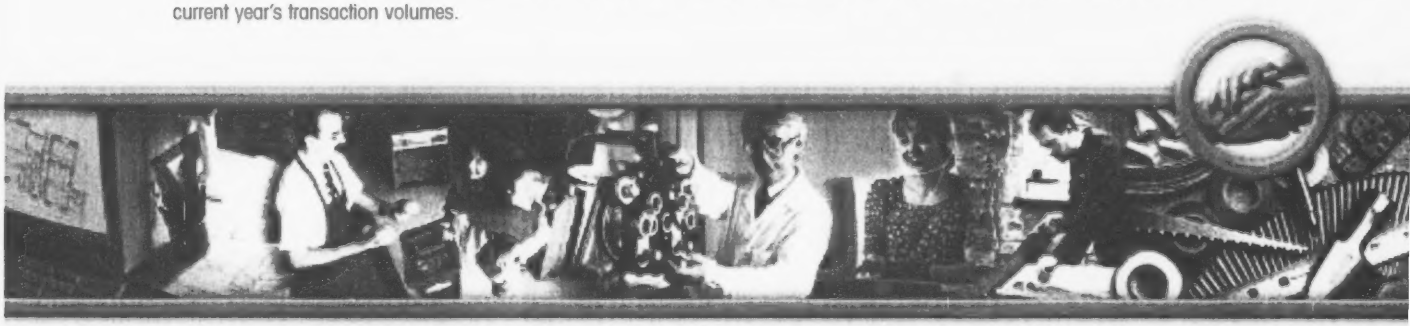
The Rate Stabilization Fund balance protects the WCB from the risk that a catastrophic event, causing either an increase in the value of the liabilities or a decrease in the value of assets, could unfairly burden Class E employers and potentially cause the accident fund balance to become unfunded or prompt the WCB to consider exceptional increases in assessment rates. The fund's target balance is based on an adapted formula – the Minimum Continuing Capital and Surplus Requirements – from the Office of the Superintendent for Financial Institutions, Canada (OSFI). Based on this formula, the fund's target balance at the end of 2002 was $68.9 million (2001- $68.0 million). The actual balance for 2002 was $55.2 million (2001 - $55.1 million).

The Accident Fund balance protects the WCB and its stakeholders from general business risks and is collectively attributable to the Class E employers. The fund's target balance is established using a modified OSFI formula. The target balance for the fund based on this formula was $40.5 million at the end of 2002 (2001 - $41.0 million). The actual balance for 2002 was $20.0 million (2001 - $20.0 million).

12. Operating Expenses

	2002	2001
Salaries, employee benefits and training	$ 29,857	$ 28,718
Information technology service fees	1,821	1,915
Professional fees	779	1,119
Occupancy costs	1,802	1,656
Office supplies and services	1,219	1,322
Communications	1,014	970
Donations	90	88
Amortization of capital assets	3,501	3,784
Administration expenses	40,083	39,572
Recoveries from the Government of Canada	(614)	(592)
Community Initiatives and Research Program grants	1,000	1,000
Appeal Commission	1,062	986
Prevention and Worker Advisor (Note 13)	6,400	6,423
Total operating expenses	$ 47,931	$ 47,389

Of the total operating expenses, $3.0 million (2001 - $3.0 million) is allocated to the self-insured employers based on the current year's transaction volumes.



The WCB administers the Government Employees Compensation Act program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of administration expenses.

13. Related Party Transactions

Pursuant to *The Workplace Safety and Health Act of Manitoba*, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the class funds under *The Workers Compensation Act of Manitoba*. For 2002, the amount charged to operations under this provision is $5.5 million (2001 - $5.6 million).

Also, under Section 84.(1) of *The Workers Compensation Act of Manitoba*, the Province may pay the costs incurred in respect of worker advisors and may recover them from the class funds. For 2002, the amount charged to operations under this provision is $0.9 million (2001 - $0.8 million).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act of Manitoba*. Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio are guaranteed debentures issued by the Province of Manitoba, in the amount of $13.9 million (2001 - $18.4 million).

14. Auditor Independence

The WCB has engaged Grant Thornton LLP, the external auditor, to provide advisory services that assess vocational rehabilitation plans for claimants. The value of these non-audit services provided by Grant Thornton LLP was $4 thousand for the year ended December 31, 2002.

15. Benefit Liabilities for Self-Insured Employers

Note 10 contains a complete description of the components of the WCB's benefit liabilities for all employers. An analysis of the portion relating to the self-insured employers is as follows:

	2002						2001
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 6,503	$ 35,272	$ 27,200	$ 7,704	$ 1,114	$ 77,793	$ 78,940
Add: Claim costs incurred							
Current year	5,062	251	812	3,396	387	9,908	9,849
Prior years	(87)	3,429	1,887	1,962	(382)	6,809	5,947
	4,975	3,680	2,699	5,358	5	16,717	15,796
Less: Claim payments made							
Current year	2,006	7	0	1,074	2	3,089	3,296
Prior years	2,780	4,218	3,098	2,954	174	13,224	13,647
	4,786	4,225	3,098	4,028	176	16,313	16,943
Balance at end of year	$ 6,692	$ 34,727	$ 26,801	$ 9,034	$ 943	$ 78,197	$ 77,793

Included in the premiums and claim costs are payments in the amount of $2.3 million (2001 - $2.4 million) made by self-insured employers directly to claimants on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

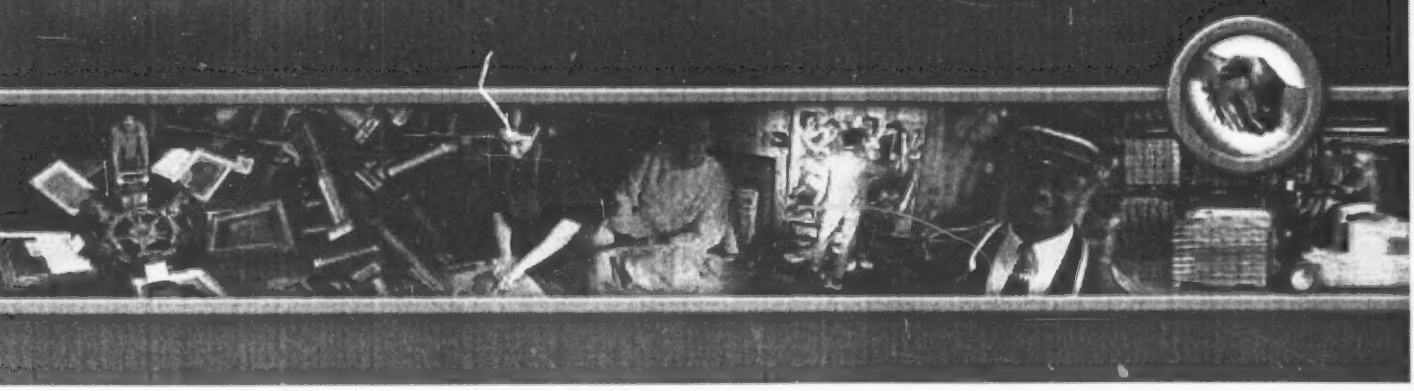
Included in the benefit liabilities balance is $6.3 million (2001 - $6.3 million) for the self-insured employers' share of the long latent occupational disease liability and $2.2 million (2001 - $3.3 million) for the future cost of administering existing claims.

STATISTICS

2002 ANNUAL REPORT

STATISTICS

2002 ANNUAL REPORT



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Introduction

The Statistics section contains aggregate work-related injury and illness claims and benefits data for 2002.

The Workers Compensation Board of Manitoba is committed to the prevention of workplace injuries and illnesses. We play a key role in the province's workplace safety and health system, promoting workplace safety and administering the no-fault workplace insurance plan under *The Workers Compensation Act* for employers and their workers.

No one expects to be hurt at work. Unfortunately, workplace injuries happen. When they do, the WCB is here to compensate lost wages; pay for and monitor the quality of healthcare provided; and assist in early and safe return to work for workers who are injured on the job or contract an occupational disease. We also provide benefits to survivors of workers who die due to workplace injuries or illnesses.

1. Claims Statistics

This table shows the total number of claims reported and claim files settled from 1993 to 2002. Healthcare Only are claims involving healthcare expenses only and do not involve lost wages. Time Loss Claims are claims by workers who have lost wages due to their workplace injury. Claims Initially Rejected are claims for injuries that are not work related or claims by workers not covered under *The Workers Compensation Act*. Referred Claims are those referred to the workers' compensation agency in the province where the injured worked was employed, or where the WCB of Manitoba could not gather sufficient information to make an entitlement decision.

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Claims reported										
Current year claims registered during year	36,204	40,352	40,647	39,896	41,953	44,296	43,927	45,327	42,381	41,238
Prior year claims registered during year	1,377	1,652	1,731	1,639	1,878	1,703	1,725	1,894	1,980	1,747
Total reported	37,581	42,004	42,378	41,535	43,831	45,999	45,652	47,221	44,361	42,985
Claim files settled										
Healthcare Only	13,923	13,303	14,986	14,039	14,039	15,822	15,125	14,952	14,219	12,087
No Cost Claims	4,883	4,509	4,526	4,333	4,391	4,752	4,820	4,706	4,739	4,668
Temporary Disability	15,509	16,985	17,574	15,415	16,636	17,704	19,128	17,863	17,536	16,360
Permanent Disability	684	784	748	702	670	659	649	716	976	985
Fatality	25	20	22	27	21	22	23	19	25	19
Total Time Loss Claims	16,218	17,789	18,344	16,144	17,327	18,385	19,800	18,598	18,537	17,364
Total settled	35,024	35,601	37,856	34,516	35,757	38,959	39,745	38,256	37,495	34,119
Claims Initially Rejected	878	521	785	738	914	821	907	902	1,184	1,403
Claims Referred	5,272	4,173	4,777	4,570	5,392	5,605	5,742	5,938	6,058	6,450
Total reviewed	41,174	40,295	43,418	39,824	42,063	45,385	46,394	45,096	44,737	41,972

2. Pension Benefits

This table shows the total number of permanently disabled workers (totally or partially disabled), and dependants of fatally injured workers in receipt of pensions at December 31 of each year.

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Permanently disabled	4,734	4,659	4,558	4,475	4,429	4,322	4,200	3,749	3,394	3,310
Surviving spouses	548	539	524	513	506	497	530	524	521	504
Children	326	332	342	345	348	360	403	407	420	414
Other dependants	8	8	5	8	7	6	8	7	7	7

3. Region of the Body Injured

This table shows reported accidents in 2002, that were not specifically rejected, by the part the of the body injured.

Region of Body Injured	#	%	Region of Body Injured	#	%	Region of Body Injured	#	%
Hand	8,017	23.03	Foot	1,127	3.24	Dorsal Spine	252	0.72
Multiple Injuries	5,495	15.78	Miscellaneous	971	2.79	Cardio/Respiratory	247	0.71
Lower Spine	5,155	14.81	Thorax	809	2.32	Pelvis	182	0.52
Lower Leg	3,139	9.02	Head	766	2.20	Upper Leg	176	0.51
Lower Arm	2,969	8.53	Abdomen	448	1.29	Upper Arm	154	0.44
Eye(s)	2,775	7.97	Hearing	373	1.07	Industrial Disease	58	0.17
Shoulder	1,374	3.95	Neck	331	0.95			

4. Nature of Injuries

This table shows time loss reported accidents by 50 most frequent diagnoses of injury or disease.

Diagnosis	#	%	Diagnosis	#	%
Sprains, strains, tears	8,666	49.94	Amputations, fingertip	60	0.35
Cuts, lacerations	1,583	9.12	Traumatic injuries and disorders	57	0.33
Bruises, contusions	1,570	9.05	Concussions	55	0.32
Fractures	661	3.81	Chemical burns, unspecified	55	0.32
Crushing injuries	425	2.45	Avulsions	47	0.27
Foreign bodies (superficial splinters, chips)	421	2.43	Spasms or tremors	45	0.26
Multiple traumatic injuries and disorders	387	2.23	Traumatic bursitis (due to repetitive motion)	45	0.26
Tendinitis	271	1.56	First-degree heat burns, scalds	44	0.25
Punctures, except bites	268	1.54	Anxiety, stress, neurotic disorders	41	0.24
Back pain, hurt back	225	1.30	Rotator cuff tear, traumatic	39	0.22
Other combinations of traumatic injuries & disorders	218	1.26	Traumatic epicondylitis	37	0.21
Soreness, pain, hurt, except the back	207	1.19	Surface wounds and bruises	36	0.21
Sprains and bruises	185	1.07	Sciatica	35	0.20
Epicondylitis	138	0.80	Hernia	34	0.20
Carpal tunnel syndrome	122	0.70	Dermatitis	33	0.19
Heat, burns, scalds	121	0.70	Multiple diseases, conditions, & disorders	32	0.18
Abrasions, scratches	107	0.62	Conjunctivitis—non-viral	29	0.17
Inguinal hernia	97	0.56	Herniated disc, including slipped and ruptured disc	25	0.14
Fractures and other injuries	96	0.55	Animal or insect bites	24	0.14
Second-degree heat burns, scalds	90	0.52	Bursitis	22	0.13
Deafness, hearing loss or impairment	85	0.49	Tenosynovitis	21	0.12
Traumatic tendinitis (due to repetitive motions)	76	0.44	Inflamation/irritation of joints,		
Other poisonings and toxic effects	75	0.43	tendons, muscles, connective tissue	18	0.10
Cuts, abrasions, bruises	74	0.43	Multiple burns	17	0.10
Dislocations	62	0.36	Facet syndrome	11	0.06
Welders flash	60	0.35			

5. Number of Days Between WCB Notification and Claim Adjudication

The number of days between the time the accident was registered with the WCB and the time an initial decision was made on the claim is shown in the following table. For example, the initial decision on 20.51% of all 2002 time loss reported accidents was made in five or fewer days of the claim being reported to the WCB.

Days	%	Days	%	Days	%
0–5	20.51	21–30	12.14	61–90	1.73
6–10	28.90	31–40	4.78	91–183	1.01
11–20	26.16	41–60	4.42	184–365	0.35
				>365	0.00

6. Time Loss Accidents by Occupational Grouping

This table shows accepted time loss reported accidents by the 100 most frequent workers' occupations.

Occupation	#	%	Occupation	#	%
Other trades helpers	1,284	8.20	Butchers & meatcutters	125	0.80
Nurse aides & orderlies	922	5.89	Cashiers	123	0.79
Other labourers, processing	864	5.52	Social service & community workers	118	0.75
Truck drivers	614	3.92	Electricians	108	0.69
Material handlers	600	3.83	Food & beverage servers	107	0.68
Welders	449	2.87	Kitchen & food service helpers	105	0.67
Janitors, caretakers	406	2.59	Couriers & messengers	103	0.66
Nurses, registered	396	2.53	Sewing machine operators	102	0.65
Construction trades helpers	367	2.34	Construction millwrights	101	0.65
Other production machine operators	359	2.29	Heavy equipment operators (except cranes)	95	0.61
Labourers food, beverage	356	2.27	Painters & decorators	87	0.56
Shippers & receivers	347	2.22	Assemblers, electric appliances	83	0.53
Motor vehicle mechanics	326	2.08	Clerks, general office	78	0.50
Grocery clerks & shelf stockers	324	2.07	Sheet metal workers	78	0.50
Motor vehicle assemblers	280	1.79	Painters & coaters, manufacturing	78	0.50
Other assemblers & inspectors	267	1.71	Machinists & machining	77	0.49
Cooks	261	1.67	Repairers & servicers	76	0.49
Cleaners, light duty	255	1.63	Roofers & shinglers	76	0.49
Sales clerks, retail	238	1.52	Plumbers	74	0.47
Public works workers	227	1.45	Motor vehicle body repairers	72	0.46
Visiting homemakers	210	1.34	Dry clean & laundry	68	0.43
Food service counter attendants	208	1.33	Police officers (except commissioners)	66	0.42
Delivery drivers	190	1.21	Supervisor, other services	64	0.41
Heavy duty equipment mechanics	186	1.19	Firefighters	63	0.40
Carpenters	157	1.00	Rail & motor transport labour	61	0.39
Cleaners, specialized	153	0.98	Furniture & fixture assemblers	60	0.38
Labourers metal fabrication	149	0.95	Security guards	58	0.37

6. Time Loss Accidents by Occupational Grouping continued

Occupation	#	%	Occupation	#	%
Clerks, customer service	56	0.36	Other wood production assemblers	35	0.22
Cabinetmakers	56	0.36	Landscape maintenance workers	33	0.21
Letter carriers	56	0.36	Labourers wood, pulp & paper	30	0.19
Metalworking machine operators	54	0.34	Aircraft mechanics	29	0.19
Bakers	52	0.33	Teachers of disabled persons	27	0.17
Educators & assistants, early childhood	52	0.33	Butchers & meat cutters	27	0.17
Managers – retail trade	51	0.33	Plasterers, drywall installers	27	0.17
Woodworking machine operators	49	0.31	Refrigeration & air conditioning mechanics	26	0.17
Residential & commercial installers	49	0.31	Air transport ramp attendants	24	0.15
Printing machine operators	48	0.31	Pursers & flight attendants	24	0.15
Managers – restaurant & food	48	0.31	Secretaries (except legal / medical)	24	0.15
General farm workers	47	0.30	Machining tool operators	24	0.15
Ambulance attendants	45	0.29	Attendants in amusement	24	0.15
Teaching assistants, elementary & secondary	44	0.28	Attendants in recreation/sport	23	0.15
Dietitians & nutritionists	42	0.27	Sales representatives, wholesale	23	0.15
Bus drivers / transit operators	42	0.27	Buyers, retail & wholesale	22	0.14
Aircraft assemblers	42	0.27	Miners, underground production	21	0.13
Service occupations, elemental	40	0.26	Structural metal & platework	21	0.13
Aides & assistants, other	40	0.26	Electronics assemblers	21	0.13
Corrections service officers	38	0.24	Upholsterers	20	0.13
Clerks, mail postal	36	0.23	Foundry workers	20	0.13
Auto mechanics installers & servicers	36	0.23	Mechanical assemblers & inspectors	18	0.11
Clerks, parts & storekeepers	36	0.23	Technicians & specialists, landscape	17	0.11

7. Accidents Reported by Class

The majority of Manitoba employers covered by the WCB are referred to as Class E employers and include all employers other than the City of Winnipeg; CPR, CNR, Air Canada and Via Rail; Government of Canada and the Province of Manitoba. This table shows the breakdown of all accidents reported in 2002, by employer group, with a comparison to 2001. The fatalities are included in the Reported Accidents totals.

	2001		2002	
Class	**Reported Accidents**	**Fatalities**	**Reported Accidents**	**Fatalities**
Class E	39,800	33	38,523	35
City of Winnipeg	1,085	1	1,057	10
CPR/CNR, Air Canada, Via Rail	937	3	830	0
Government of Canada	980	1	916	3
Province of Manitoba	1,559	4	1,659	2
Total	44,361	42	42,985	50

8. Compensable Accidents Settled by Class

This table shows all claims settled in 2002, by employer group. The table also shows the average days lost per temporary disability claim in 2002, the average weekly wage and the average age of the workers involved.

Class	**Healthcare Only**	**No Cost Claims**	**Temporary Disability**	**Permanent Disability**	**Fatality**	**Total Time Loss Claims**	**Average Days Lost per Accident**	**Average Weekly Wage**	**Average Age**
Class E	10,888	4,093	14,675	863	17	15,555	26.6	$ 525	37
City of Winnipeg	241	71	501	21	0	522	13.6	802	41
CPR/CNR, Air Canada, Via Rail	310	77	272	50	1	323	41.9	933	45
Government of Canada	191	164	369	18	1	388	19.7	728	43
Province of Manitoba	457	263	543	33	0	576	17.1	650	41
Total/Average	12,087	4,668	16,360	985	19	17,364	26.0	$ 549	38

9. Compensable Accidents Settled

The following table groups all accepted claims settled in 2002 by industry sector and rate code. The table also shows the average days lost per temporary disability claim, the average weekly wage and the average age of the workers involved. Group 9, Voluntary by Application, refers to employers, not required by law to be covered by workers' compensation, that choose to purchase coverage voluntarily.

		Number of Cases						Average		
Group #	Industry Sector	Rate Code	Healthcare Only	Temporary Disability	Permanent Disability	Fatality	Total Time Loss Claims	Days Lost per Accident (Temporary Disability)	Weekly Wage	Age
Group 1	Forestry	101	4	4	3	0	7	84.8	$ 532	32
		191	24	12	2	0	14	30.5	618	43
Group 2	Mines, Quarries and Oil Wells	201	380	81	52	0	133	48.0	1181	41
		202	19	30	8	0	38	91.1	796	32
		203	34	4	6	0	10	160.0	1194	43
Group 3	Manufacturing	301	567	477	37	1	515	20.8	465	35
		302	201	262	27	0	289	17.1	574	39
		303	58	71	11	0	82	20.6	558	35
		310	1,436	1,879	91	2	1,972	20.6	622	37
		311	362	486	29	0	515	11.1	497	35
		312	125	31	8	0	39	33.7	859	32
		313	32	57	2	0	59	22.3	477	34
		314	1,085	1,040	53	1	1,094	12.5	435	34
		315	315	562	42	0	604	24.0	464	38
		316	212	273	16	0	289	16.0	530	36
		319	116	101	9	0	110	18.4	431	35
		320	103	131	8	0	139	12.7	837	45
		321	6	8	0	0	8	50.5	384	27
Group 4	Construction	401	454	674	96	2	772	30.1	552	35
		402	287	257	17	1	275	30.5	691	34
		404	44	111	9	0	120	28.8	540	36
		405	14	13	5	0	18	11.5	753	33
		406	35	20	2	0	22	25.3	852	40
		407	49	65	16	0	81	28.5	739	38
		408	131	156	20	4	180	46.3	718	38
		409	10	3	5	0	8	30.7	895	36
Group 5	Transportation, Communications and Storage	501	315	766	53	0	819	44.1	645	39
		502	67	73	6	0	79	19.3	511	38
		503	67	121	4	0	125	22.0	634	40
		505	54	56	4	0	60	27.9	838	43
		506	43	132	1	0	133	18.4	536	38

9. Compensable Accidents Settled continued

Group #	Industry Sector	Rate Code	Number of Cases: Healthcare Only	Temporary Disability	Permanent Disability	Fatality	Total Time Loss Claims	Average: Days Lost per Accident (Temporary Disability)	Weekly Wage	Age
Group 6	Trade	601	805	1,267	32	0	1,299	24.4	$ 389	34
		602	70	75	6	0	81	23.7	350	33
		603	201	322	8	0	330	20.6	517	37
		604	501	452	41	1	494	16.9	587	35
		605	194	195	10	0	205	17.1	662	37
		607	0	0	1	0	1	0.0	0	0
		609	12	25	1	0	26	26.0	638	46
Group 7	Service Industries	701	732	785	20	0	805	23.4	293	33
		702	976	2,369	18	0	2,387	41.7	518	42
		703	14	16	1	0	17	9.5	514	40
		704	1	0	0	0	0	0.0	0	0
		705	24	74	4	0	78	16.8	245	35
		706	32	86	0	0	86	45.6	366	41
		707	33	78	0	0	78	27.3	389	35
		710	8	6	0	0	6	19.3	375	34
		713	3	2	1	0	3	14.5	653	41
Group 8	Public Administration	801	92	120	18	0	138	31.0	599	40
		802	6	5	1	0	6	22.4	532	31
Group 9	Voluntary by Application	901	62	96	8	2	106	27.3	375	40
		902	83	114	7	0	121	21.8	508	34
		903	76	108	11	0	119	24.3	459	39
		904	22	30	3	1	34	65.5	495	36
		905	47	76	2	0	78	27.7	469	34
		906	1	4	1	0	5	12.8	515	33
		907	3	0	0	0	0	0.0	0	0
		908	1	0	0	0	0	0.0	0	0
		909	21	30	2	0	32	20.4	538	32
		911	6	8	1	0	9	27.4	472	32
		912	53	76	6	0	82	17.6	673	43
		916	0	1	0	0	1	3.0	640	26
		918	1	0	0	0	0	0.0	0	0
		921	141	298	18	2	318	27.4	555	45
		922	0	1	0	0	1	8.0	244	21

10. Fatality Claims Processed

The number of fatalities reported, adjudicated and accepted in 2002 are noted below.

Fatalities reported in 2002	
New claims	20
Prior year claims*	30
Fatalities adjudicated in 2002	
Accepted**	19
Not accepted	17
Fatalities accepted in 2002	
Estate, medical only	5
Dependant pensions	
Surviving spouses***	14
Children	8

* One of the claims reported as a 2002 prior year claim should have been reported as a 2000 new claim.
** Two of the fatalities listed as "accepted" for 2002 were listed as "not accepted" in a previous year.
*** Surviving spouses may have taken their entitlement as a lump sum rather than a monthly pension.

11. Fatalities Accepted by Cause

The number of fatality claims accepted each year from 1998 to 2002 and the cause of death are noted below.

	1998	1999	2000	2001	2002
Cancer	3	6	7	1	1
Trauma	10	10	6	4	7
Motor Vehicle Accident	2	2	0	3	1
Cardiac	1	4	2	1	–
Asbestos	–	–	–	11	8
Other	6	1	4	5	2
Total	22	23	19	25	19

Note: In 2001 the method of showing asbestos related deaths was changed. In previous years these deaths were distributed into the Cancer and Other categories. In 2000 there were 7 deaths where the cause was exposure to asbestos.

12. Class E Employers Assessment Statistics

Class E Employers statistics are shown for the years 1993 to 2002, including the number of employers registered with the WCB as at December 31, the total assessable payroll, total assessments billed by to the WCB and the actual average assessment per $100 of assessable payroll.

Year	Number of Registered Employers at December 31	Assessable Payrolls ($ millions)	Assessments ($ thousands)	Actual Average Assessment Rate per $100 of Payroll
1993	19,350	5,756	123,834	2.15
1994	19,875	5,920	128,978	2.20
1995	20,452	6,253	138,758	2.22
1996	21,114	6,302	141,507	2.25
1997	20,961	6,814	141,376	2.07
1998	22,413	7,227	134,484	1.86
1999	22,962	7,567	110,185	1.46
2000	23,400	7,984	118,723	1.49
2001	23,846	8,259	125,904	1.52
2002	24,453	8,600	130,488	*1.52

* Estimated amount - final 2002 information will not be available until mid-2003. Effective July 1, 2002 the average assessment rate was increased from $1.49 to $1.56

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